

Annual Securities Report (“Yukashoken-Hokokusho”)

Fiscal Year Ended March 31, 2024

KDDI CORPORATION

This document has been extracted and translated from the Japanese original report (Yukashoken-Hokokusho) issued on June 20, 2024 for reference purposes only. In the event of any discrepancy between this translated document and Japanese version, the Japanese version shall prevail.

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【Cover page】

【Document title】	Annual Securities Report (“Yukashoken-Houkokusho”)
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【Accounting period】	Full-year FY2023 (from April 1, 2023 to March 31, 2024)
【Company name】	KDDI (Keididai Kabushiki Kaisha)
【Company name in English】	KDDI CORPORATION
【Title and name of representative】	Makoto Takahashi, President, Representative Director CEO
【Address of registered headquarters】	2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo (The registered office is the legal head office location, while the actual business is conducted at the "nearest contact point.")
【Telephone number】	Not appreciable
【Name of contact person】	Not appreciable
【Nearest place of contact】	3-10-10, Iidabashi, Chiyoda-ku, Tokyo
【Telephone number】	+81-3-3347-0077 (Main telephone number)
【Name of contact person】	Executive Officer Corporate Sector Corporate Management Division General Manager Kenji Aketa
【Place for public inspection】	Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan

Part I. Company Information

I. Overview of the Company

1 Summary of business results

(1) Transition of summary of business results for the five most recent fiscal years

Fiscal year		36th	37th	38th	39th	40th
Fiscal year ended		Mar.2020	Mar.2021	Mar.2022	Mar.2023	Mar.2024
Revenue	Millions of yen	5,237,221	5,312,599	5,446,708	5,671,762	5,754,047
Income (loss) before income tax	Millions of yen	1,020,699	1,038,056	1,064,497	1,079,523	992,725
Profit (loss) attributable to owners of parent	Millions of yen	639,767	651,496	672,486	679,113	637,874
Comprehensive income attributable to owners of parent	Millions of yen	612,402	736,709	706,668	680,084	690,726
Equity attributable to owners of parent	Millions of yen	4,384,424	4,759,720	4,982,586	5,128,288	5,253,362
Total assets	Millions of yen	9,580,149	10,535,326	11,084,379	11,923,522	14,146,060
Equity attributable to owners of the Company per share	Yen	1,906.35	2,091.82	2,249.27	2,377.38	2,522.92
Basic net income / earnings (losses) per share	Yen	275.69	284.16	300.03	311.01	301.26
Diluted net income / earnings (losses) per share	Yen	275.49	283.91	299.73	310.88	301.18
Equity attributable to owners of parent ratio	%	45.8	45.2	45.0	43.0	37.1
Net income to equity attributable to owners of parent ratio	%	14.9	14.2	13.8	13.4	12.3
Price earnings ratio	Times	11.57	11.95	13.35	13.19	14.88
Cash flows from operating activities	Millions of yen	1,323,356	1,682,166	1,468,648	1,078,869	1,706,498
Cash flows from investing activities	Millions of yen	(610,950)	(658,925)	(761,593)	(732,480)	(832,433)
Cash flows from financing activities	Millions of yen	(546,381)	(585,571)	(727,257)	(669,837)	(476,477)
Cash and cash equivalents at the end of the year	Millions of yen	369,202	809,802	796,613	480,252	887,207
Number of employees [Number of average temporary employees not included in the above figures]	Number	44,952 (38,356)	47,320 (35,240)	48,829 (37,180)	49,659 (36,672)	61,288 (47,425)

(Notes) 1. Since the 32nd fiscal year, Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the "IFRS").

2. IFRS 17 "Insurance Contracts" has been adopted from the beginning of the 40th fiscal year, and reflects the cumulative effect of this accounting standard change on the date of transition of April 1, 2022. As a result, figures for the 39th fiscal year reflect the retrospective application of such accounting standards.

(2) Transition of significant non-consolidated business indicators for the five most recent fiscal years

Fiscal year		36th JGAAP	37th JGAAP	38th JGAAP	39th JGAAP	40th JGAAP
Fiscal year ended		Mar.2020	Mar.2021	Mar.2022	Mar.2023	Mar.2024
Net sales	Millions of yen	4,070,873	4,062,750	4,037,023	3,780,778	3,683,130
Ordinary profit	Millions of yen	800,209	814,445	790,544	761,018	780,977
Net profit (loss)	Millions of yen	567,962	578,634	561,015	547,454	562,607
Common stock	Millions of yen	141,852	141,852	141,852	141,852	141,852
Total number of shares issued	Shares	2,355,373,600	2,304,179,550	2,304,179,550	2,302,712,308	2,302,712,308
Net assets	Millions of yen	3,819,755	4,060,767	4,113,639	4,037,684	4,061,634
Total assets	Millions of yen	5,681,462	5,956,659	5,966,580	5,998,484	6,466,605
Net assets per share	Yen	1,660.83	1,784.64	1,857.01	1,871.79	1,950.59
Dividend per share (Interim dividend per share)	Yen	115.00 (55.00)	120.00 (60.00)	125.00 (60.00)	135.00 (65.00)	140.00 (70.00)
Basic earnings (loss) per share	Yen	244.75	252.38	250.29	250.71	265.72
Diluted earnings per share	Yen	-	-	-	-	-
Equity ratio	%	67.2	68.2	68.9	67.3	62.8
Return on equity	%	15.1	14.7	13.7	13.4	13.9
Price earnings ratio	Times	13.03	13.45	16.00	16.33	16.87
Dividend payout ratio	%	47.0	47.5	49.9	53.8	52.7
Number of employees (at the end of the fiscal year) [Number of average temporary employees not included in the above figures]	Number	10,892 (6,568)	11,353 (6,411)	10,455 (6,418)	9,377 (4,652)	9,409 (4,187)
Total shareholder return [Comparative indicator: TOPIX (Dividend-Included)]	% %	138.6 (90.5)	152.2 (128.6)	183.0 (131.2)	192.4 (138.8)	214.5 (196.2)
Highest share price	Yen	3,451.0	3,673.0	4,164.0	4,636.0	5,080.0
Lowest share price	Yen	2,372.5	2,604.0	3,237.0	3,825.0	4,008.0

(Notes) 1. Diluted earnings per share is not shown here because no shares are subject to dilution.

2. From April 4, 2022, the highest share price and lowest share price are as quoted on the Tokyo Stock Exchange Prime Market, and for dates prior to this are as quoted on the First Section of the Tokyo Stock Exchange.

3. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been adopted from the 38th fiscal year. Key business indicators and other data for the 38th fiscal year onward are based on this accounting standard.

4. Amounts are rounded to the nearest million yen.

2 Corporate history

Historically, only a limited number of companies in Japan's telecommunications sector were able to provide universal services. Looking to further advance the domestic telecommunications sector, the Japanese government enacted the new Telecommunications Business Act on April 1, 1985, replacing the previous Public Telecommunications Act. Against this backdrop, KDDI's predecessor, Daini-Denden Planning Company, was established on June 1, 1984, on the belief that the creation of private-sector companies to provide inexpensive, high-quality telecommunications services would benefit the citizens of Japan and lead to brisker corporate activity.

Historical highlights since then are listed below.

1985 Apr	Company name changed to DDI CORPORATION, and its business purpose changed
Jun	Tier 1 telecommunications business permit obtained from the Ministry of Posts and Telecommunications (now the Ministry of Internal Affairs and Communications)
1986 Oct	DDI began leased circuit services.
1987 Jun	Head office moved to Chiyoda Ward, Tokyo KANSAI CELLULAR TELEPHONE COMPANY is established as a subsidiary.
Sep	DDI begins Domestic long-distance service
Oct	KYUSHU CELLULAR TELEPHONE COMPANY is established as a subsidiary.
Nov	CHUGOKU CELLULAR TELEPHONE COMPANY is established as a subsidiary.
1988 Apr	TOHOKU CELLULAR TELEPHONE COMPANY is established as a subsidiary.
May	HOKURIKU CELLULAR TELEPHONE COMPANY is established as a subsidiary.
Jul	HOKKAIDO CELLULAR TELEPHONE COMPANY is established as a subsidiary.
1989 Apr	SHIKOKU CELLULAR TELEPHONE COMPANY is established as a subsidiary.
1991 Jun	OKINAWA CELLULAR TELEPHONE COMPANY is established as a subsidiary.
Jul	TU-KA Cellular Tokyo Inc. is established as a subsidiary.
1992 Feb	TU-KA Phone Tokai Inc. is established as a subsidiary.
1993 Apr	Iridium Japan Co., Ltd. established as a subsidiary
Sep	DDI is listed in the Second Section of the Tokyo Stock Exchange.
1994 Jul	DDI Pocket Planning Inc. established as a subsidiary
Nov	DDI Pocket Planning Inc. changed its name to DDI Tokyo Pocket Phone Co., Ltd. PHS enterprise DDI Pocket Telephone Group established eight subsidiaries including DDI HOKKAIDO Pocket Telephone Company.
1995 Sep	DDI is listed in the First Section of the Tokyo Stock Exchange.
1996 Jan	Kyocera DDI Institute of Future Communications established as an affiliate
1997 Apr	OKINAWA CELLULAR TELEPHONE COMPANY listed stock on the OTC market of the Japan Securities Dealers Association
1999 Mar	DDI COMMUNICATIONS AMERICA CORPORATION is established as a subsidiary.
Apr	DDI Network Systems Corporation established as a subsidiary.
Sep	Acquired majority stakes in affiliates TU-KA Cellular Tokyo Inc., TU-KA Cellular Tokai Inc., and TU-KA Phone Kansai Inc.
2000 Jan	Nine companies of the DDI Pocket Telephone Group, including DDI Tokyo Pocket Phone Co., Ltd., merged, with DDI Tokyo Pocket Phone Co., Ltd., the surviving company, changing its name to DDI POCKET Inc.
Mar	Iridium Japan Co., Ltd. operations are discontinued.
Oct	KDD Corporation merged with IDO Corporation and changed its name to DDI Corporation.
Nov	Seven cellular telephone companies, including Kansai Cellular Telephone Company but excluding OKINAWA CELLULAR TELEPHONE COMPANY, merged, with Kansai Cellular Telephone Company, the surviving company, changing its name to au Corporation.
Dec	KDD AMERICA, INC. and DDI COMMUNICATIONS AMERICA CORPORATION merged, with KDD AMERICA, INC., the surviving company, changing its name to KDDI America, Inc.
2001 Jan	KDD Communications Co., Ltd. and DDI Network Systems Co., Ltd. merged, with KDD Communications Co., Ltd., the surviving company, changing its name to KCOM Corporation.

Mar au Corporation becomes a wholly owned subsidiary of the Company through a stock swap.

Apr Company name changed to KDDI CORPORATION and head office address changed to current address
KDD R&D Laboratories, Inc. and Kyocera DDI Institute of Future Communications merged, with KDD R&D Laboratories, Inc., the surviving company, changing its name to KDDI R&D Laboratories, Inc.

Jun KDDI America, Inc. and TELECOMET, INC. merged with KDDI America, Inc. as the surviving company.

Jul KCOM Corporation and KDDI Creative Corporation merged, with KCOM Corporation as the surviving company.

Oct au COPORATION is merged with KDDI CORPORATION.
KDD Network Systems Co., Ltd. and Telecomet International, Inc. merged, with KDD Network Systems Co., Ltd. as the surviving company, changing its name to K-Solutions Inc.

2002 Feb Merged with KDDI Winstar Co.

2003 Mar Sold shares in KDDI Development Corporation

2004 Oct DDI Pocket PHS business is transferred.
KDDI Telemarketing Inc. and KDDI Sogo Service Co., Ltd. merged, with KDDI Telemarketing Co., Ltd. as the surviving company

Nov K-Solutions Inc., KCOM Corporation, OSI Plus Corporation and KDDI Msat, Inc. merged, with K-Solutions Inc., surviving company, changing its name to KDDI Network & Solutions Inc.

Dec KDDI Telemarketing Inc. changed its name to KDDI Evolva, Inc.

2005 Jan TU-KA Phone Kansai Inc. became a wholly owned subsidiary of the Company through share acquisition

Mar TU-KA Cellular Tokai Inc. became a wholly owned subsidiary of the Company through share acquisition.
TU-KA Cellular Tokyo Inc. became a wholly owned subsidiary of the Company through share exchange.

Apr KDDI Technical & Engineering Service Inc. is established

Oct TU-KA Cellular Tokyo Inc., TU-KA Cellular Tokai Inc., and TU-KA Phone Kansai Inc. are merged.

2006 Jan Merged with POWEREDCOM, Inc.

2007 Jan The Company took over the operations of Tokyo Electric Power's internal optical network company through a corporate split

Jun Acquired shares in JAPAN CABLENET HOLDINGS and JAPAN CABLENET, turning them into subsidiaries of the Company

Dec The Company took over some operations of KDDI Network & Solutions Inc. through a corporate split

2008 Apr CTC shares are purchased, and it becomes a consolidated subsidiary.

Jul Merged with KDDI Network & Solutions, Inc.

2010 Feb Acquired full ownership of three intermediary holding companies of Liberty Global, Inc., thereby assuming Liberty Global, Inc.'s stake in Jupiter Telecommunications Co., Ltd. and making the latter an equity-method affiliate of the Company

2011 Feb KDDI Matomete Office Corporation is established.

2011 Jul Acquired a stake in WebMoney Corporation, turning it into a subsidiary of the Company

2012 Apr KDDI Technical & Engineering Service Inc. changed its name to KDDI Engineering Corporation

2013 Apr Acquired shares in Jupiter Telecommunications Co., Ltd., turning it into a subsidiary of the Company
Established four regional companies under KDDI MATOMETE OFFICE CORPORATION

2014 Feb KDDI Financial Service Inc. is established.

2014 Apr Jupiter Telecommunications Co., Ltd. and JAPAN CABLENET LIMITED merged, with Jupiter Telecommunications Co., Ltd. as the surviving company

2014 Jun KDDI Summit Global Myanmar Co., Ltd. is established.

2016 Mar Acquired shares in Jupiter Shop Channel Co., Ltd., turning it into a consolidated subsidiary

2017 Jan Acquired shares in BIGLOBE, Inc., turning it into a wholly owned subsidiary

2018 Jan Acquired shares in AEON Holdings, turning it into a wholly owned subsidiary

2018 Dec Acquired additional shares in ENERES Co., Ltd., turning ENERES Co., Ltd. and its six subsidiaries into consolidated subsidiaries

- 2019 Apr Through corporate splits, au Financial Holdings Corporation assumed interests in Jibun Bank Corporation, KDDI Financial Service Inc., WebMoney Corporation, KDDI Asset Management Company, Limited, and au Reinsurance Corporation
- 2019 Dec Through corporate splits, au Financial Holdings Corporation assumed interests in au Insurance Co., Ltd., Lifenet Insurance Company, and Finatext Holdings Ltd. In addition, au Financial Holdings Corporation merged with LDF Limited Liability Company, which at the time held shares in kabu.com Securities Co., Ltd.
- 2020 Oct Took over the UQ mobile business of UQ Communications Inc. through a corporate split
- 2022 Apr Transfers from the First Section to the Prime Market of the Tokyo Stock Exchange following a market restructuring of the exchange.
- 2022 Jul au Energy Holdings Corporation, a wholly owned consolidated subsidiary of the Company, took over the administrative operations and business strategy planning, proposal and execution functions of subsidiaries involved in the energy business. au Energy & Life, Inc., a wholly owned consolidated subsidiary of the Company, assumed operations related to the electricity retail business
- 2023 Sep With KDDI Evolva, Inc. as the surviving company, Relia Inc. was absorbed in a business merger to form Altius Link, Inc.

3 Description of business

(1) Description of business

The KDDI CORPORATION group (“the Group”) comprises KDDI CORPORATION (“the Company”), 185 consolidated subsidiaries (domestic 123, overseas 62) and 44 equity-method associates (domestic 35, overseas 9), mainly operates in the "Personal" and "Business" segments.

The positioning of our company, consolidated subsidiaries, equity-method affiliates within the Group's business activities, and their relationship with segments are as follows:

Furthermore, starting from this consolidated fiscal year, we have been reviewing certain segment classifications within our company's operations, consolidated subsidiaries, and related companies due to organizational changes. Details can be found in "Section 5 Financial Status, 1. Consolidated Financial Statements, Consolidated Financial Statements Notes, 5. Segment Information".

Personal

Principal services	In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo,” and are working with local partners to eliminate the digital divide and achieve sustainable regional co-creation. Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.
Major subsidiaries and affiliates	[The parent] KDDI CORPORATION [Consolidated subsidiaries] OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., Ltd., UQ Communications Inc., BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., INC., au Financial Holdings Corporation, Jupiter Shop Channel Co., Ltd., au Energy Holdings Corporation, KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC [Equity-method affiliates] KKCompany Technologies Inc., au Kabucom Securities Co., Ltd.

Business

Principal services	The Business Services mainly provide a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and Telehouse brand data center services. We will continue to collaborate with our partners to globally provide one-stop solutions centered around 5G communication and leveraging IoT and DX, supporting the development and expansion of our customers' businesses. For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.
Major subsidiaries and affiliates	[The parent] KDDI CORPORATION [Consolidated subsidiaries] OKINAWA CELLULAR TELEPHONE COMPANY, JCOM., Ltd., Chubu Telecommunications Co., INC., KDDI MATOMETE OFFICE CORPORATION, Altius Link, Inc., au Energy Holdings Corporation, Wire and Wireless Co., Ltd., KDDI Digital Divergence Holdings Corporation, KDDI America, Inc., KDDI Europe Limited., KDDI China Corporation, KDDI Asia Pacific Pte Ltd, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd., KDDI Canada, Inc. [Equity-method affiliates] LAC Co., Ltd.

Others

Principal services	We provide services for the construction and maintenance of communication facilities, as well as research and development in information and communication technology.	
Major subsidiaries and affiliates	[The parent]	KDDI CORPORATION
	[Consolidated subsidiaries]	KDDI Engineering Corporation, KDDI Research, Inc., KDDI Cableships & Subsea Engineering Inc., Japan Telecommunication Engineering Service Co., Ltd., Supership Holdings Inc.
	[Equity-method affiliates]	Kyocera Communication Systems Co., Ltd., Kakaku.com, Inc.

Below is a depiction of the business groupings of KDDI.



Personal

KDDI CORPORATION

[Subsidiaries]

OKINAWA CELLULAR TELEPHONE COMPANY, JCOM Co., Ltd., UQ Communications Inc., BIGLOBE Inc., AEON Holdings Corporation of Japan, Chubu Telecommunications Co., Inc., au Financial Holdings Corporation, Jupiter Shop Channel Co., Ltd., au Energy Holdings Corporation, KDDI Summit Global Myanmar Co., Ltd., MobiCom Corporation LLC

[Equity-method associates]

KKCompany Technologies Inc., au Kabucom Securities Co., Ltd.

Providing services to individual customers in Japan and overseas

Business

KDDI CORPORATION

[Subsidiaries]

OKINAWA CELLULAR TELEPHONE COMPANY, JCOM Co., Ltd., Chubu Telecommunications Co., Inc., KDDI MATOMETE OFFICE CORPORATION, Altius Link, Inc., au Energy Holdings Corporation, Wire and Wireless Co.,Ltd., KDDI Digital Divergence Holdings Corporation, KDDI America, Inc., KDDI Europe Limited, KDDI China Corporation, KDDI Asia Pacific Pte Ltd, TELEHOUSE International Corporation of America, TELEHOUSE International Corporation of Europe Ltd., KDDI Canada, Inc. ,etc.

[Equity-method associates]

LAC Co., Ltd.

Providing services to corporate customers in Japan and overseas

Customers

Others

KDDI CORPORATION

[Subsidiaries]

KDDI Engineering Corporation, KDDI Research, Inc., KDDI Cables & Subsea Engineering Inc., Japan Telecommunication Engineering Service Co. Ltd., Supership Holdings Co., Ltd.

[Equity-method associates]

KYOCERA Communication Systems Co., Ltd., Kakaku.com, Inc.

Construction and maintenance of communication facilities, research and development in information and communication technology, etc.

(2) Other

Legal regulations related to business

KDDI and its subsidiaries that provide telecommunications services in Japan are required to be registered in accordance with the Telecommunications Business Act in order to engage in the telecommunications business. Additionally, the installation of telecommunications equipment related to wireless stations requires the prior acquisition of licenses in accordance with the Radio Act.

Due to the public nature of the telecommunications business, the Telecommunications Business Act was enacted to ensure that its operation is proper and rational as well as to promote fair competition, thereby facilitating the provision of telecommunications services and protecting the interests of users. The aim of the Act is to ensure the healthy development of telecommunications as well as convenience for the public, thereby enhancing public welfare. This, in turn, facilitates the creation of a diverse range of inexpensive services, a reliable and stable network, and a communications environment that everyone can use with confidence.

Below is an outline of the main areas directly regulated by laws that apply to KDDI and its subsidiaries. Please note that subsidiaries that provide telecommunications services overseas do so in accordance with each country's laws and regulations.

I. Telecommunications Business Act

Regulations based on the Telecommunications Business Act are as follows.

a Regulations applicable to telecommunications companies

- Regulations applicable to telecommunications companies include requirements to register with the Minister of Internal Affairs and Communications when starting a telecommunications business (Article 9), update this registration in the event of a merger involving a registered party (Article 12-2), register changes in the business area or telecommunications equipment of the registered party (Article 13), and notify the Minister and issue public announcements in the event of a suspension or discontinuation of the telecommunications business (Article 18).

b Telecommunications business operations and related matters

(a) Consumer protections

- Telecommunications companies must explain the terms of service to users before they enter into a contract (Article 26), provide written documents after entering into a contract (Article 26-2), allow the cancellation of initial contracts in writing (Article 26-3), make public announcements regarding the suspension or discontinuation of telecommunications services (Article 26-4), handle complaints (Article 27), prohibit misrepresentations and persistent solicitation (Article 27-2), and take steps to instruct and guide intermediaries and other subcontractors (Article 27-4).

(b) Interconnections and wholesale telecommunications services

- Telecommunications companies must comply with requests from other telecommunications operators for connections to their telecommunications equipment (Article 32).
- Telecommunications companies with Category II designated telecommunications facilities must submit the Minister of Internal Affairs and Communications with all interconnection agreements related to Category II designated telecommunications facilities (Article 34), notify related parties of any intention to suspend or discontinue interconnections with Category II designated telecommunications facilities (Article 34-2), and notify the Minister when launching wholesale telecommunications services using Category II designated telecommunications facilities.

(c) Ensure fair competition

- Telecommunications companies that provide mobile telecommunications services designated by the Minister of Internal Affairs and Communications are prohibited from setting communication charges at rates more favorable to those buying their handsets than those not buying their handsets, and from engaging in excessive contract terms or other practices that unduly restrict competition (Article 27-3).

(d) Agreements with foreign governments, etc.

- Telecommunications companies must obtain authorization from the Minister of Internal Affairs and Communications when entering into agreements related to the telecommunications business with foreign governments, foreign individuals, and foreign corporations (Article 40).

Supplemental information

NTT DOCOMO, Inc., SoftBank Corp., Wireless City Planning Inc., the Company, OKINAWA CELLULAR TELEPHONE COMPANY, and UQ Communications Inc. are designated as telecommunications companies

with Category II designated telecommunications facilities and thus obligated to submit interconnection agreements to the Minister.

Furthermore, NTT East and NTT West are Category I designated telecommunications companies with designated telecommunications facilities under the Telecommunications Business Act, and as such are required to obtain authorization for interconnection agreements that specify interconnection charges and conditions. The Company is obligated to establish connections in accordance with these interconnection agreements.

II . Radio Act

a Establishment of a Radio Station (Article 4)

Any person that intends to establish a radio station must obtain a license from the Minister of Internal Affairs and Communications.

b Disqualification (Article 5)

- (a) A license for a radio station will not be granted to anyone who falls under one or more of the following categories.
- i) Any person who has been sentenced to a fine or heavier punishment for a crime proscribed under this Act or the Broadcasting Act and for whom two years have not yet elapsed since the day of their sentencing or, in the case of a suspended sentence, two years since said sentence was served out.
 - ii) Any person who has had their radio station license revoked within the past two years.
 - iii) Any person who has had their approval of plans to establish a specific base station revoked within the past two years.
 - iv) Any person who has had their registration for a radio station revoked within the past two years.
- (b) Licenses for specific base stations will not be granted to any person who has not paid the specified base station establishment fee by the deadline stipulated in the establishment guidelines until such fees are paid in full.

c Application for a license (Article 6)

Any person who intends to obtain a license for a radio station must submit an application to the Minister of Internal Affairs and Communications with documentation that includes the following information.

- (a) Purpose
- (b) Necessity for establishing a radio station
- (c) Recipients of communications and the nature of information communicated
- (d) Location of the radio equipment
- (e) Type of radio waves, desired frequency range and antenna power
- (f) Desired permitted operating hours (time during which operations are allowed)
- (g) Construction design and scheduled completion date of radio equipment
- (h) Expected start date of operations
- (i) Content of contracts entered into with other licensed or registered radio stations (“licensees”) to prevent interference and other disturbances

d Changes to permission (Article 17)

Licensees must obtain prior permission from the Minister of Internal Affairs and Communications if they intend to change the purpose of a radio station, the recipients of communications, the nature of the information communicated, broadcast content, the service area, the location of the radio equipment, and the telecommunications equipment used for core broadcasting services. Further, if they intend to change the radio equipment, permission is needed for undertaking construction work.

e Transfer of licenses (Article 20)

- (a) When a license is part of an inheritance, the inheritor assumes the status of the licensee.
- (b) When a licensee corporation merges or divides (limited to cases wherein the entire business related to the operation of (a) radio station(s) is transferred as a single entity), the entity to which the radio station business has been transferred, i.e., the surviving corporation after the merger, a new corporation established by the merger, or a corporation that assumes said business from the split-up company may assume the status of the licensee with the permission of the Minister of Internal Affairs and Communications.
- (c) When a licensee transfers an entire business related to the operation of (a) radio station(s), the recipient may assume the status of licensee with the permission of the Minister of Internal Affairs and Communications.

f Removal of radio stations (Article 22)

When removing a radio station, the licensee must notify the Minister of Internal Affairs and Communications.

g Return of a Certificate for a Radio Station License (Article 24)

When a license ceases to be valid, the former licensee of the radio station must return the license certificate within

one month.

h Registration of inspectors (Article 24-2)

To secure official recognition as a person who engages in the business of conducting inspections and maintenance checks of radio equipment, etc., inspectors must be registered with the Minister of Internal Affairs and Communications.

i Revocation of inspector registration (Article 24-10)

If any of the following items are found to apply to a registered inspector, the Minister of Internal Affairs and Communications may revoke said inspector's registration or order the suspension of all or part of the business of inspection or maintenance checks pertaining to that registration for a period specified by the Minister:

- (a) The registered inspector has come to fall under any of the items (except item ii) in Article 24-2 Paragraph 5.
- (b) The registered inspector has violated the provisions of Article 24-5 Paragraph 1 (notification of change in address, etc.) or Article 24-6, Paragraph 2 (notification of inheritance of status of registered inspector).
- (c) The registered inspector has violated orders pursuant to the provisions of Article 24-7 Paragraphs 1 or 2.
- (d) The registered inspector is shown to have submitted a false report to an interested party regarding the results of performing a registration-related maintenance check pertaining to an inspection performed in line with Article 10 Paragraph 1 (after construction is completed), Article 18 Paragraph 1 (an inspection to change a radio station), or Article 73 Paragraph 1 (a scheduled inspection), or has otherwise made a false entry regarding the certificate prescribed in Paragraph 3 of Article 73.
- (e) The registered inspector disregards the prescribed methods for carrying out registration-related inspections or maintenance checks.
- (f) When the registered inspector obtains a registration or renewal of registration by unlawful means.

j Establishment guidelines for specified base stations (Article 27-12)

When formulating establishment guidelines for specified base stations, the Minister of Internal Affairs and Communications may designate as specified base stations any base stations for telecommunications services that use frequencies currently in use by already established base stations for telecommunications services under the following circumstances.

- (a) If the Minister receives an effective utilization assessment report from the Radio Regulatory Council that indicates that the actual usage of frequencies currently assigned to a base station established for telecommunications services fails to satisfy the criterion specified by Order of the Ministry of Internal Affairs and Communications (excluding cases where the base station has been established under an approved plan for changing the designated frequencies for which the validity period of the approval for that plan has yet to expire).
- (b) If the Minister decides that it is necessary to define establishment guidelines related to an applicant that intends to establish as a specified base station a base station for telecommunications services that will use frequencies already in use by (an) existing base station(s) for telecommunications services.
- (c) If, while taking into consideration technological developments, trends in demand, and other circumstances related to the usage of radio waves, it is deemed necessary in the interests of ensuring fair and efficient utilization to reorganize and categorize frequencies currently in use by existing base stations for telecommunications services and then to establish base stations for telecommunications services that will use the newly categorized frequencies.

k Revocation of approval of establishment plan (Article 27-16)

- (a) When any of the following applies to an approved establisher, the Minister of Internal Affairs and Communications must revoke the approval.
 - i) The registration referred to in Article 9 of the Telecommunications Business Act for an approved establisher pertaining to specified base stations for the purpose of providing telecommunications services has been revoked pursuant to the provisions of Article 14 Paragraph 1 of the same Act.
- (b) When any of the following applies to an approved establisher, the Minister of Internal Affairs and Communications may revoke the approval.
 - i) The Minister of Internal Affairs and Communications determines that the approved establisher has not established the specified base stations based on an approved plan and/or has not provided due reason for failing to operate the advanced, already established specified base stations in accordance with an approved plan.
 - ii) The approved establisher has failed to pay the specified base station establishment fee by the payment deadline specified in the establishment guidelines of the approved plan and to provide due reason for doing so.
 - iii) The approved establisher's establishment plans are granted approval through unlawful means, or when changes are made to designated frequencies through unlawful means.
 - iv) The approved establisher has been sentenced to a fine or heavier punishment for a crime proscribed under the

Radio Act.

- v) One of the following applies to the approved establisher of specified base stations for the purpose of providing telecommunications services.
- 1 The registration referred to in Article 9 of the Telecommunications Business Act has been refused pursuant to the provisions of Article 12 Paragraph 1 of the same Act.
 - 2 The registration referred to in Article 9 of the Telecommunications Business Act ceases to be valid pursuant to the provisions of Article 12-2 Paragraph 1 of the same Act.
 - 3 The registration of a change referred to in Article 13 Paragraph 1 of the Telecommunications Business Act has been refused pursuant to the provisions of Article 12 Paragraph 1 of the same Act as applied mutatis mutandis pursuant to Article 13 Paragraph 3 of the same Act.
 - 4 A notification of discontinuation of the entire telecommunications business of the approved establisher or dissolution of the approved establisher has been issued pursuant to the provisions of Article 18 of the Telecommunications Business Act.
- (c) When the Minister of Internal Affairs and Communications revokes the approval of establishment plans, it may also revoke the approval of other establishment plans related to the entity identified as the approved establisher or revoke the radio station license.
- (d) When the Minister of Internal Affairs and Communications revokes an approval pursuant to (a) through (c) above, documentation of the reasons for the revocation must be delivered to the approved establisher.
- l Prohibition on utilizing radio stations for non-approved purposes (Article 52)
- No radio station is to be operated beyond the scope of the stated purpose regarding the recipients of the radio communications or the subject of communications as written in the radio station license (broadcast matters for specified terrestrial basic broadcast stations).
- m Prohibition of use for non-approved purposes (Article 53)
- When operating a radio station, the location of its radio equipment, identification signal, type of radio waves, and frequencies must comply with the terms of the radio station license.
- n Prohibition of use for non-approved purposes (Article 54)
- The antenna power of a radio station during operation must comply with each of the following provisions.
- (a) The antenna power must be within the range written on the radio station license.
 - (b) The antenna power should be set at the lowest possible level required for communications.
- o Prohibition of use for non-approved purposes (Article 55)
- A radio station must not be operated outside of the permitted operating hours written on the radio station license.
- p Prevention of Radio Interference (Article 56)
- A radio station must operate in such a way as not to cause interference or any other obstruction that impairs the operation of any other radio station, radio astronomy receiving equipment, or other receiving equipment specified by Order of the Ministry of Internal Affairs and Communications (except equipment in radio stations), which is designated by the Minister of Internal Affairs and Communications.
- q Protection of Secrecy (Article 59)
- Unless otherwise specified by law, no one must intercept, divulge, or take advantage of the existence or content of radio communications to a specific person (except communications under Article 4 Paragraph 1 or Article 164 Paragraph 3 of the Telecommunications Business Act).
- r Inspection (Article 73)
- The Minister of Internal Affairs and Communications may dispatch ministerial staff to radio stations (except those specified by Order of the Ministry of Internal Affairs and Communications) to inspect the radio equipment on a date for which notification is given in advance, at regular intervals specified by the order of the Ministry of Internal Affairs and Communications.
- s Revocation of license for radio stations (Article 76)
- (a) When a licensee has violated the provisions of this Act or the Broadcasting Act, or any orders or administrative dispositions thereunder, the Minister of Internal Affairs and Communications may order the licensee to suspend operation of the radio station for a specified period not exceeding three months, or impose a limitation on the permitted operating hours, frequencies, or antenna power for a specified period.
 - (b) When a blanket licensee or a blanket registrant has violated the provisions of this Act or the Broadcasting Act, or any orders or administrative dispositions thereunder, the Minister of Internal Affairs and Communications may prohibit the new establishment of a radio station pertaining to the license or the registration for a period not exceeding three months, pursuant to the provisions of Article 27-32 Paragraph 1.

- (c) Beyond the provisions of the two preceding paragraphs, when a registrant is likely to cause harmful effects on the operation of other registered stations by using radio equipment not conforming to the technical regulations prescribed in Chapter III, or when the efficient utilization of radio waves is most likely to be impeded due to the inappropriate operation of the registered station, the Minister of Internal Affairs and Communications may order the suspension of the operation of the radio station pertaining to that registration, or impose a limitation on the permitted operating hours, frequencies, or antenna power or prohibit the new establishment of a radio station for a specified period not exceeding three months.
- (d) The Minister of Internal Affairs and Communications may revoke the license of a licensee (except a blanket licensee) to whom any of the following apply.
- i) The licensee has suspended operations of the radio station for a period of six months or longer consecutively without providing due reason.
 - ii) The licensee resorts to unlawful means to obtain a radio station license, receive permission under Article 17, or change the designated matters pursuant to the provisions of Article 19
 - iii) The licensee fails to observe any order or limitation pursuant to the provisions in (a)
 - iv) The licensee is sentenced to a punishment heavier than a fine for violating the provisions of the Radio Act (Article 5, Paragraph 3, item i)
- (e) The Minister of Internal Affairs and Communications may revoke the blanket license of a licensee to whom any of the following apply.
- i) The licensee decisively fails to commence the operation of a specified radio station by the deadline for commencing operations under the blanket licensee (Article 27-5, Paragraph 1, item iv).
 - ii) The licensee suspends the operation of all specified radio stations covered by a blanket license for a period of six months or longer consecutively without providing due reason
 - iii) The licensee resorts to unlawful means to obtain a blanket license, receive permission to change the blanket license (Article 27-8 Paragraph 1), or change the designated frequencies (Article 27-9)
 - iv) The licensee does not comply with the order or limitations pursuant to the provisions of (a) or the prohibition pursuant to the provisions of (b)
 - v) The licensee is sentenced to a punishment heavier than a fine for violating provisions in the Radio Act (Article 5, Paragraph 3, item i).
- (f) The Minister of Internal Affairs and Communications may revoke the registration of a registrant to whom any of the following apply.
- i) The registrant resorts to unlawful means to obtain the registration for a radio station (Article 27-21, Paragraph 1) or the change of registration (Article 27-26, Paragraph 1, or Article 27-33, Paragraph 1)
 - ii) The registrant fails to observe an order or limitation pursuant to the provisions of (a), a prohibition pursuant to the provisions of (b), or an order, limitation or prohibition pursuant to (c)
 - iii) The registrant is sentenced to a punishment heavier than a fine for violating provisions in the Radio Act (Article 5, Paragraph 3, item i)
- (g) Beyond the provisions of the preceding (d) through (f), when any of the following apply to a licensee of a radio station for the purpose of providing telecommunications services, the Minister of Internal Affairs and Communications may revoke their license.
- i) The registration referred to in Article 9 of the Telecommunications Business Act has been refused pursuant to the provisions of Article 12, Paragraph 1 of the same Act.
 - ii) The registration of a change referred to in Article 13, Paragraph 1 of the Telecommunications Business Act has been refused pursuant to the provisions of Article 12, Paragraph 1 of the same Act as applied mutatis mutandis pursuant to Article 13, Paragraph 3 of the same Act.
 - iii) The registration referred to in Article 9 of the Telecommunications Business Act is deleted pursuant to the provisions of Article 15 of the same Act.
- (h) When revoking a license pursuant to the provisions of (d) (except item (iv)) or (e) (except item (v)) or a registration pursuant to the provisions of (f) (except item (iii)), the Minister of Internal Affairs and Communications may revoke the licenses of the other radio stations granted to the licensee, or the approval for the establishment plan for specified radio stations.

Note: The above was written based on the Telecommunications Business Act and Radio Act as they stood on March 31, 2024.

4 Status of subsidiaries and associates

Company name	Location	Capital stock (Millions of yen)	Business lines	Percentag e of voting stock holding(%)	Related content			Business transactions
					Concurrent positions of directors		Financial assistance (Millions of yen)	
					The company's executives	The company's employees		
(Subsidiaries) OKINAWA CELLULAR TELEPHONE COMPANY (Note)1	Naha-shi, Okinawa	1,415	Telecommunic ations business in Okinawa Prefecture (au mobile communication services)	51.9	1	1	-	This company sells mobile phone equipment and mobile phone handsets, and provides relay telephone services.
JCOM Co., Ltd. (Note)2	Chiyoda-ku, Tokyo	45,550	Operation and management of cable TV companies and program streaming companies	50.0	1	3	-	This company provides relay telephone services.
JCOM WEST Co., Ltd. (Note)2	Chuoh-ku, Ohsaka-shi, Ohsaka	15,500	Operation and management of cable TV companies and program streaming companies	93.1 (93.1)	-	1	-	-
UQ Communications Inc. (Note)3	Chiyoda-ku, Tokyo	71,425	Telecommunic ations business (WiMAX service, MVNO business)	32.3	1	3	-	This company provides access lines for mobile phone data transmission services.
BIGLOBE Inc.	Shinagawa- ku, Tokyo	2,630	Internet service business (MVNO business, ISP business)	100.0	-	5	42,306	This company provides communications lines for internet services.
AEON Holdings Corporation of Japan	Shinjyuku-ku, Tokyo	100	Holding company of a language- related company specializing in English conversation	100.0	-	5	-	-
Chubu Telecommunicatio ns Co., Inc. (Note)2	Naka-ku, Nagoya-shi, Aichi	38,816	Telecommunic ations services in Chubu region (fixed-line communication service)	80.9	1	4	-	This company provides data communications service relays, access lines and internet service communications lines.
Wire and Wireless Co.,Ltd.	Chuoh-ku, Tokyo	1,150	Wireless broadband business	95.2	-	5	-	This companies provides wireless LAN services. It also receives outsourcing projects for installing contract equipment.
au Financial Holdings Corporation (Note)2	Chuoh-ku, Tokyo	25,000	Financial holding company	100.0	-	4	5,642	-

Company name	Location	Capital stock (Millions of yen)	Business lines	Percentage of voting stock holding(%)	Related content			
					Concurrent positions of directors		Financial assistance (Millions of yen)	Business transactions
					The company's executives	The company's employees		
Supership Holdings Co., Ltd.	Minato-ku, Tokyo	4,057	Holding company of an Internet services company	84.1	-	3	11,000	-
Jupiter Shop Channel Co., Ltd.	Kohtoh-ku, Tokyo	4,400	Television shopping business	55.0 (50.0)	-	2	-	-
au Energy Holdings Corporation	Chiyoda-ku, Tokyo	100	Business administration of subsidiary companies involved in energy	100.0	-	5	3,469	-
ENERES Co.,Ltd. (Note)5	Chiyoda-ku, Tokyo	100	Energy Information Technology industry	59.0 (59.0)	-	4	-	This company jointly procures and sells electricity with KDDI.
KDDI MATOMETE OFFICE CORPORATION	Shibuya-ku, Tokyo	1,000	IT support services for small and medium-sized companies	95.0	-	12	-	This company is entrusted with mid-tier and small/medium business operations and agency operations.
Altius Link, Inc.	Shinjyuku-ku, Tokyo	100	Call center operations, temporary staffing service	51.0	-	5	-	This company is entrusted with operating call centers, and engages in temporary staff employment.
KDDI Digital Divergence Holdings Corporation	Minato-ku, Tokyo	100	Management business, functions for the business planning, etc. of subsidiary companies in DX business	100.0	1	5	-	-
KDDI Engineering Corporation	Shibuya-ku, Tokyo	1,500	Construction, maintenance and operation support for communications facilities	100.0	-	4	-	This company is entrusted with the construction, installation and maintenance and operational support of communications facilities.
KDDI Research, Inc.	Fujimino-shi, Saitama	2,283	Information and communications related policy and market research, technology research, and product development	91.7	1	7	-	This company is entrusted with technological R&D in the telecommunications field.
KDDI Cables & Subsea Engineering Inc.	Kawasaki-ku, Kawasaki-shi, Kanagawa	135	Installation and maintenance of submarine cables	100.0	-	8	1,200	This company is entrusted with the maintenance of submarine cable systems.

Company name	Location	Capital stock (Millions of yen)	Business lines	Percentage of voting stock holding (%)	Related content			Business transactions
					Concurrent positions of directors		Financial assistance (Millions of yen)	
					The company's executives	The company's employees		
Japan Telecommunication Engineering Service Co. Ltd.	Shinjuku-ku, Tokyo	470	Engineering, installation, operation and maintenance of communications equipment	84.5	-	8	-	This company is entrusted with the maintenance of communications facilities along expressways.
KDDI America, Inc.	Staten Island, NY U.S.A.	Thousand US\$ 84,400	Electronic communications services in the U.S.	100.0	-	2	14,233	This company is entrusted with the sales of services in the U.S.
KDDI Canada, Inc. (Notes)2,6	Toronto, ON, Canada	Thousand C\$ 1,100,000	Data center services in Canada	100.0	-	5	36,674	-
KDDI Europe Limited	London, U.K.	Thousand STG £ 42,512	Electronic communications services in Europe	100.0 (4.2)	-	3	59,475	This company is entrusted with the sales of services in Europe.
KDDI China Corporation	Beijing, China	Thousand CNY 13,446	Sale, maintenance and operation of electronic communications equipment in China	85.1	-	4	-	This company is entrusted with the sales of services in China.
KDDI Asia Pacific Pte Ltd	Singapore	Thousand S\$ 10,255	Electronic communications services in Singapore	100.0	-	2	-	This company is entrusted with the sales of services in Singapore.
TELEHOUSE International Corporation of America	Staten Island, NY U.S.A.	Thousand US\$ 4.5	Data center services in the U.S.	73.1 (2.3)	-	2	-	-
TELEHOUSE Holdings Limited (Note)2	London, U.K.	Thousand STG £ 100,091	Holding company	100.0	-	4	-	-
TELEHOUSE International Corporation of Europe Ltd	London, U.K.	Thousand STG £ 47,167	Data center services in Europe	93.4 (93.4)	-	3	-	-
KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD. (Note) 2	Singapore	Thousand US\$ 601,600	Holding company	50.1	-	2	-	-

Company name	Location	Capital stock (Millions of yen)	Business lines	Percenta ge of voting stock holding(%)	Related content			
					Concurrent positions of directors		Financial assistanc e (Millions of yen)	Business transactions
					The company's executives	The company's employees		
KDDI Summit Global Myanmar Co., Ltd. (Note) 2	Yangon, Myanmar	Thousand US\$ 405,600	Support for telecommunic ation business at Myanmar Posts and Telecommuni cations(MPT)	100.0 (100.0)	-	2	-	-
MobiCom Corporation LLC	Ulaanbaatar, Mongolia	Thousand TG 6,134,199	Mobile communicatio n services in Mongolia	98.8 (98.8)	-	3	4,467	-
154 other subsidiaries in addition to the above								

Company name	Location	Capital stock (Millions of yen)	Business lines	Percentage of voting stock holding(%)	Related content			Business transactions
					Concurrent positions of directors		Financial assistance (Millions of yen)	
					The company's executives	The company's employees		
(Equity-method associates) KYOCERA Communication Systems Co., Ltd.	Fushimi-ku, Kyoto-shi, Kyoto	2,986	IT solutions, communications engineering, etc.	23.4	1	-	-	This company is entrusted with the installation, maintenance and management of electronic communications equipment.
Mobaoku Co.,Ltd.	Shibuya-ku, Tokyo	200	Operates a mobile phone auction website	33.4	-	2	-	This company provides mobile phone auction services with KDDI.
Kakaku.com, Inc. (Note)1	Shibuya-ku, Tokyo	916	Internet media business	17.7	-	1	-	-
au Kabucom Securities Co., Ltd.	Chiyoda-ku, Tokyo	7,196	Financial instruments trading industry	49.0 (49.0)	-	1	-	This company is a financial product broker.
LAC Co., Ltd. (Note)1	Chiyoda-ku, Tokyo	2,648	Security solution services, etc.	32.4	-	2	-	This company engages in business tie-ups in security solution services.
KKCompany Technologies Inc.	Grand Cayman, Cayman Islands	Thousand TW\$ 1,639,960	Holding company of group companies in music streaming business in Taiwan and Hong Kong	45.1 (45.1)	-	2	-	This company provides music streaming service platforms.
38 other Equity- method associates in addition to the above								

Notes:

1. We have submitted a securities report.
2. These companies are classified as "Specified subsidiaries."
3. The Company holds 32.3% of voting rights in UQ Communications Inc., an equity-method affiliate based on Japanese GAAP, but under IFRS, the Company effectively controls UQ Communications Inc., so it was reclassified as a consolidated subsidiary.
4. The ratio of voting rights in parenthesis indicates indirectly held voting rights.
5. ENERES Co., Ltd. had excess liabilities in the amount of ¥15,505 million as of March 31, 2024.
6. KDDI Canada, Inc. changed its company name to Telehouse Canada, Inc. in May 2024.

5 Employees

(1) Number of employees at consolidated companies

(As of March 31, 2024)

Name of business segment	Number of employees	
Personal	28,445	(13,779)
Business	29,400	(31,784)
Other	3,443	(1,862)
Total	61,288	(47,425)

- Notes: 1. The number of employees refers to full-time employees, with the number of temporary employees shown in parentheses as the average number during the year.
2. As of the end of the fiscal year under review, the number of Group employees totaled 61,288 people, an increase of 11,629 from the end of the previous fiscal year. The number of temporary employees (average) increased by 10,753 to 47,425 people. This increase mainly reflects the business merger between KDDI Evolva, Inc. and Relia Inc. on September 1, 2023, in the Business Services Segment.

(2) Number of employees at reporting company

(As of March 31, 2024)

Number of employees	Average age (Year-old)	Average number of years employed (Years)	Average annual salary (Yen)
9,409 (4,187)	42.2	16.7	9,869,482

Name of business segment	Number of employees	
Personal	5,603	(1,875)
Business	3,587	(2,263)
Other	219	(49)
Total	9,409	(4,187)

- Notes: 1. The number of employees refers to full-time employees (excluding 3,975 employees seconded to subsidiaries, etc.), with the number of temporary employees shown in parentheses as the average number during the year.
2. Average annual salary includes bonuses and non-standard wages.

(3) Labor Union Conditions

The Company has a labor union called the KDDI Workers Union, which is a member of the Japanese Trade Union Confederation under the umbrella of the Federation of Information and Communication Technology Service Workers of Japan.

The Company and the KDDI Workers Union have entered into a Union Shop Agreement.

As of March 31, 2024, there were 10,144 members in the labor union.

There are no other noteworthy matters.

(4) Percentage of female workers as managers, the ratio for male employees taking childcare leave, gender wage gap

I. Reporting company

Fiscal year under review				
Percentage of female workers to managers (%) (Note) 1,2	Ratio for male employees taking childcare leave (%) (Note) 3	Workers' gender wage gap (%) (Note) 1		
		All workers	(of which full-time employees)	(of which part-time employees and fixed-term employees)
8.9	58.1	78.3	78.7	83.2

Notes:

1. It is calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Percentage of female workers as managers," as of April 1st, 2024 does not include workers seconded from other companies to the reporting company, but includes those seconded from the reporting company to other companies.
3. It calculated the acquisition rate of childcare leave and leave taken for childcare as prescribed in Article 71-4, Paragraph 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Health, Labor and Welfare No. 25 of 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

II. Consolidated subsidiaries

Fiscal year under review					
Company name	Percentage of female workers to managers (%) (Note) 1,2	Ratio for male employees taking childcare leave (%) (Note) 3,4	Workers' gender wage gap (%) (Note) 1		
			All workers	(of which full-time employees)	(of which part-time employees and fixed-term employees)
Altius Link, Inc.	14.7	79.0	63.6	73.6	74.4
JCOM Co., Ltd.	17.4	63.3	75.7	76.5	74.3
AEON Holdings Corporation of Japan	57.9	83.3	79.2	82.4	67.7
Jupiter Shop Channel Co., Ltd.	37.7	100.0	72.3	85.3	79.3
MAXCOM, Inc.	24.0	100.0	81.8	74.5	91.0
KDDI Sonic-Falcon CORPORATION	0.0	58.8	94.9	92.8	95.9
KDDI MATOMETE OFFICE CORPORATION	13.5	41.2	85.5	85.0	87.2
KDDI Engineering Corporation	2.7	64.3	74.8	75.7	78.2
Chubu Telecommunications Co., Inc.	4.1	85.0	73.5	73.9	91.8
KDDI PRECEDE CORPORATION	50.0	60.0	94.9	93.9	99.5
iret, Inc.	0.0	72.4	74.9	75.2	78.1
KCJ GROUP INC.	48.6	20.0	56.9	72.2	90.4
WITELLAS INC.	6.7	33.3	68.1	78.1	83.9

Fiscal year under review					
Company name	Percentage of female workers to managers (%) (Note) 1,2	Ratio for male employees taking childcare leave (%) (Note) 3,4	Workers' gender wage gap (%) (Note) 1		
			All workers	(of which full-time employees)	(of which part-time employees and fixed-term employees)
BIGLOBE Inc.	9.2	66.7	76.3	76.1	61.9
au Jibun Bank Corporation	11.6	83.3	74.2	76.4	42.0
mediba inc.	27.4	42.9	79.8	80.4	98.6
au Commerce & Life, Inc.	23.5	53.8	80.5	85.3	94.2
Supership Inc.	10.4	100.0	81.4	81.5	176.2
OKINAWA CELLULAR TELEPHONE COMPANY	10.6	54.5	70.8	69.4	45.8
BUSINESS PLUS INC.	0.0	(Note) 5	99.5	97.3	97.6
ENERES Co.,Ltd.	18.4	90.0	68.9	75.1	19.6
ARISE analytics, inc.	50.0	100.0	85.9	94.0	40.1
menu, inc.	12.5	0.0	69.2	81.4	86.8
KDDI Web Communications Inc.	0.0	300.0	66.1	72.0	96.5
KDDI Challenged Corporation	0.0	(Note) 5	117.3	117.3	(Note) 5
au Financial Service Corporation	2.4	100.0	65.3	65.3	(Note) 5
Japan Telecommunication Engineering Service Co. Ltd.	0.0	50.0	88.1	82.8	0.0
DATUM STUDIO Co. Ltd.	9.1	20.0	88.9	92.3	96.5
KDDI Technology Corporation	7.1	100.0	84.6	85.1	109.3
OTNET COMPANY, INCORPORATED	6.7	25.0	74.8	76.7	31.6
au Financial Holdings Corporation	6.1	50.0	69.8	69.6	0.0
Natasha, Inc.	47.1	(Note) 5	93.9	92.9	108.5

Notes:

1. It is calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Percentage of female workers as managers," as of March 31,2024 does not include workers seconded from other companies to the reporting company, but includes those seconded from the reporting company to other companies.
3. It calculated the acquisition rate of childcare leave and leave taken for childcare as prescribed in Article 71-4,Paragraph 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Health, Labor and Welfare No. 25 of 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
4. The company voluntarily discloses information about consolidated subsidiaries with more than 101 and less than 1,000 permanent employees and with no obligation to disclose such information based on regulations in the "Act on Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76 of 1991).
5. This indicates that there are no eligible employees.

III. KDDI and its consolidated subsidiaries

Fiscal year under review					
Company name	Percentage of female workers as managers (%) (Note) 1,2	Ratio for male employees taking childcare leave (%) (Note) 3	Workers' gender wage gap (%) (Note) 1		
			All workers	(of which full-time employees)	(of which part-time employees and fixed-term employees)
KDDI and its consolidated subsidiaries (Note)4	14.2	65.3	72.8	76.9	76.8

Notes:

1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Percentage of females in managerial positions is as of March 31, 2024, excluding secondees on-site and including secondees sent out.
3. Calculated based on the "Act on Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Act No. 76 of 1991) and the "Ordinance for Enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ordinance of the Ministry of Labor No. 25 of 1991), Article 71-4, Paragraph 1, on the acquisition rate of childcare leave purposes.
4. Scope of calculation encompasses domestic consolidated subsidiaries of the Group.

II. Overview of Business

1 Management policy, business environment and issues to be addressed

Forward-looking statements in this document are made by the Group based on currently available information as of the end of the fiscal year.

The KDDI Group Mission Statement is as follows. The KDDI Group Philosophy expresses the attitudes, values, and behavior that all employees need to exhibit in order to achieve sustainable growth and fulfill this mission. Everyone works together as one with this shared mission and philosophy.

■ The KDDI Group Mission Statement

The Group values and cares about the material and emotional well-being of all its employees and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

(1) Medium-to Long-Term Management Strategy

Now in society where communications are integrated into every scene, the social role of communications become even more important, and the evolution of AI technology is creating new value of the next era. In Japan, there are also expectations for changes in the structure of industries in order to achieve a sustainable society, such as increased productivity and decarbonized society.

Amid we are responding to rapid changes in the environment surrounding society as a whole, including the development of a digital social infrastructure based on Data and Generative AI, we have extended Mid-Term Strategy period one year (FY2022-25) and strategy updated as "New Satellite Growth Strategy". To realize "KDDI VISION 2030," which we formulated in May 2022, under the updated business strategy, we will continue working to achieve sustainable growth of society and enhancement of corporate value. Guided by our mission, which is to connect and protect lives, connect day-to-day lives, and connect hearts and minds, we will fulfill our key roles in society, delivering a thrilling customer experience by always going further than expected.

< Mid-Term Management Strategy (FY2022-25) >

■ The KDDI Group Mission Statement

The Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

■ Brand message

Tomorrow, Together KDDI / Towards an exciting future au

■ Our vision

1. The company the customer can feel closest to
2. A company that continues to produce excitement
3. Contributing to the sustainable growth of society

■ KDDI VISION 2030

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect

■ Financial Target

The Company continues to strengthen shareholder returns and invest in growth in order to sustain growth. We aim to increase EPS* by 1.5 times compared with the fiscal 2018 level. Our shareholder return policy is to maintain a stable dividend, target a dividend payout ratio of at least 40% and flexibly buy back shares while considering growth investments.

* EPS is an abbreviation of Earnings Per Share, or net income per share.



(2) Approach to and initiatives for sustainability

The Mid-Term Management Strategy (FY2022-25) is centered on sustainability management, which aims for sustainable growth in society and the corporate value improvement achieved together with our partners. The Company is reinforcing the business foundation to support the transition to an era where new value is created with its partners in core businesses that facilitate the use of generative AI in society and take a data-driven approach based on high-quality, highly reliable 5G

communications.

< Business Strategy: New Satellite Growth Strategy >

Our aim is to maximize the corporate value of the Group by advancing business domains (Orbit1) that drive growth in core businesses and related areas and business domains (Orbit2) that take on new growth opportunities.

■ Orbit1

1. DX (digital transformation)

- Based on the corporate business brand “KDDI BUSINESS,” the Company announced in May 2024 the business platform WAKONX. We help solve social issues and customers grow their businesses by leveraging our accumulated strengths in the communications business, along with various partners and touchpoints with diverse customers. We spur innovation with customers by providing one-stop access to essential functions and optimizing industry DX with AI.

2. Finance

- The Company helps improve engagement through communications and finance while expanding financial cross-use. By scaling up each financial function, each financial company in the Group will achieve growth.

3. Energy

- While continuing to reinforce the electricity retail business, the Company contributes to carbon neutrality by striving to expand decarbonization-related businesses.

■ Orbit2

1. LX (mobility, space, health care, sports and entertainment, Web3 and metaverse)

- As a new source of growth, the Company intends to further expand business by working to change the lifestyles of its customers through partnering and utilizing new technologies and communications, its area of strength. The Company is advancing initiatives for the future under the themes of “To Global,” “With Life,” and “For Future,” with new satellite growth strategy, aiming to be “The company the customer can feel closest to” and “The creation of a society in which anyone can make their dreams a reality.”

<Strengthen Management Infrastructure>

The Group will strengthen its management infrastructure for the following three initiatives in order to contribute to the sustainable growth of society and as a corporation.

1. Achieve carbon neutrality

- The Group is aiming to achieve CO2 net zero emissions from the entire supply chain, including Scope 3, by FY2040. To achieve this goal, we will proactively promote energy efficiency and shift to renewable energy for base stations and telecommunication equipment, aiming to achieve CO2 net zero emissions by FY2030 throughout the entire Group.

2. Evolve into a Human Resources First Company

- The Group is spearheading three key initiatives: penetration of new personnel system, development of professional human resources through KDDI Version Job Style Personnel System, and enhancement of employee engagement. In order to keep our employees happy and to remain a vibrant company, we regard the “health” of our employees to be an important management issue, and we will continue to take on challenges for a prosperous future by promoting health management that supports the health of each and every employee in the organization.

3. Promotion of integrated group management and improvement of governance

- The Group is striving to promote integrated group management by strengthening our risk management and information security systems in synergy with a corporate governance framework that respects human rights and ensures transparency and fairness, based on the KDDI Group Philosophy, which states a common mindset and code of conduct for management and employees.

2 Approach and initiatives for sustainability

The Group's approach to and initiatives on sustainability are as follows

Forward-looking statements in this document are made by the Group based on currently available information as of the end of the fiscal year.

(1) Overview of sustainability

Since its inception, the Company has upheld the corporate philosophy of "contributing to the development of a truly connected society" as the KDDI Group Mission Statement. Recently, communications have played an increasingly important role as IoT is utilized in various aspects of life and business. Moreover, with the diversification of values, the growing importance of sustainability, and the development of next-generation technologies, the business environment surrounding the Company has significantly changed.

To adapt to these changes in the business environment and realize its vision for a society of the future, in May 2022, the Company established "KDDI VISION 2030: The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect" as its vision for 2030. In an era where communications increasingly blend into everything, the Company aims to evolve its power to connect and become a platformer supporting society that can provide added value in all industries and life scenarios by 2030.

With an eye on 2030, sustainability management is at the core of our mid-term management strategy that began in 2022, and we aim to create a virtuous cycle for the sustainable growth of society and the enhancement of corporate value together with our partners.

Under sustainability management, the Company is promoting a business strategy called "New Satellite Growth Strategy" and is strengthening management infrastructure to support this strategy (i.e., achieve carbon neutrality, evolve into a Human Resources First Company, and strengthen Group governance).

A. Governance

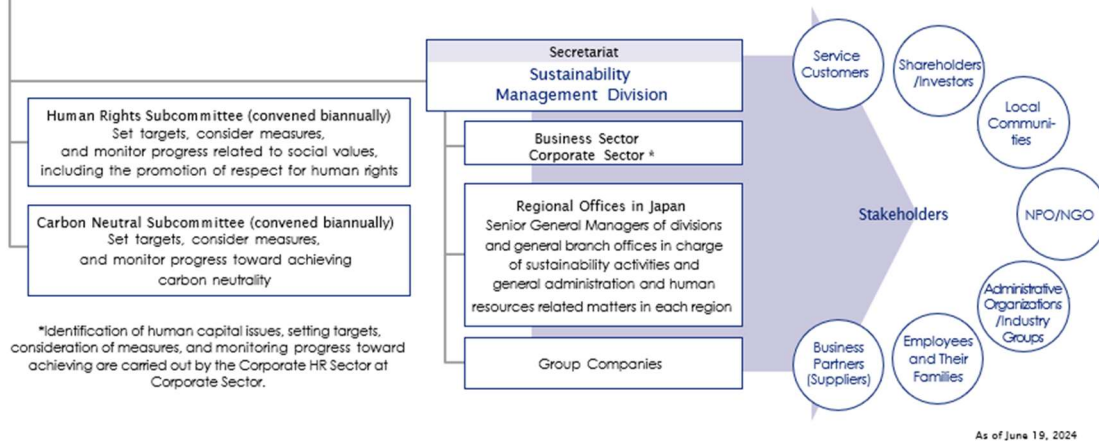
Sustainability promotion structure

The Sustainability Committee manages sustainability-related risks and opportunities by monitoring the progress of KPIs.

The committee regularly reports to the Board of Directors, which oversees these activities.

The Sustainability Committee is comprised of the President & CEO serving as the chairperson and directors as committee members, and is working to incorporate sustainability as a core element of the company's overall management strategy.

The degree of improvement in sustainability is incorporated into company-wide KPIs and linked to executive compensation and bonuses for all employees. Through systems linked to sustainability benchmarks, our aim is to instill sustainability management and change behavior for the better.

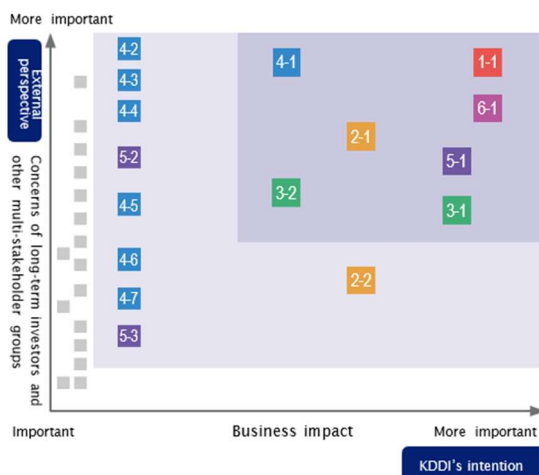


Materiality selection process

The Group identifies priority issues (materialities) related to sustainability through the process outlined below, in accordance with the mid-term management strategy that began in FY23.3.

1. Identify key issues based on the GRI requirements, which are international guidelines for sustainability information disclosure, and the requirements of ESG assessment for the information technology and telecommunications industry.
2. Priorities are set by scoring the “concerns of long-term investors and other multi-stakeholder groups (vertical axis)” and the “business impact (horizontal axis).”
3. Identify six material issues that reflect the opinions of external experts collected through interviews.
4. The Sustainability Committee and the Board of Directors deliberate on the appropriateness of the proposal and finalize it.

■ Matrix of Material Issues



Materiality 1 Promotion of Innovation Centered on Telecommunications

1-1 Through Satellite Growth Strategy centered on communications, promote innovation that customers can experience in their daily lives and create a future society.

Materiality 2 Realization of Safe, Secure, and Prosperous Society

- 1 Leverage technological innovation to provide resilient infrastructure, realize economic development, and a safe and secure society.
- 2 Eliminate the digital divide by creating new value through DX.

Materiality 3 Carbon Neutral

- 1 Achieve the sustainable growth in society by promoting decarbonization and leaving a prosperous planet for the future.
- 2 Achieve carbon neutrality in the KDDI group by fiscal 2050.

Materiality 4 Strengthening the Group Management Base Through Progressing Governance

- 1 Ensuring customer privacy by building up strong data security.
- 2 Engage in thorough risk management.
- 3 Develop an effective and transparent governance structure.
- 4 Engage in thorough compliance.
- 5 Respect for human rights.
- 6 Engage in fair and proactive information disclosure.
- 7 Promotion of sustainable procurement

Materiality 5 Human Resources First

- 1 Pursue the well-being of our employees and promotion of diversity and inclusion.
- 2 Promote human resource development and career development.
- 3 Initiatives for health and productivity management.

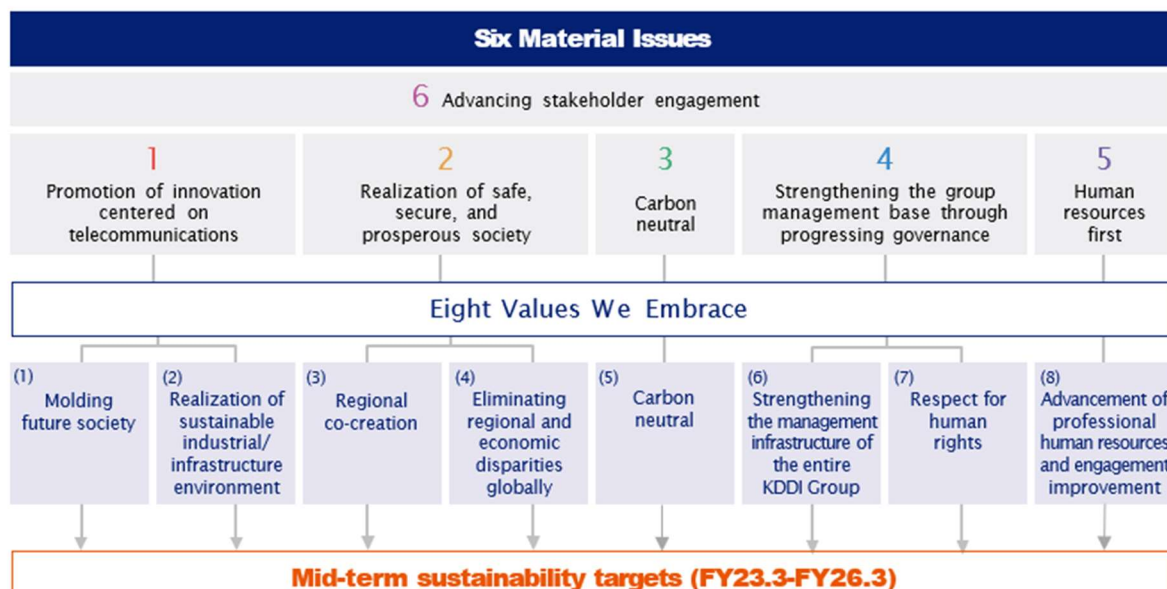
Materiality 6 Advancing Stakeholder Engagement

- 6-1 Build strong relationships with all stakeholders, including employees, customers, distributors, suppliers, and shareholders.

B. Strategy

Six Material Issues (Materialities)

Referring to the concerns of long-term investors and other multi-stakeholder groups on one axis and the business impact on the other axis, management has mapped out material issues in the mid-term management strategy. The company is advancing the innovations necessary for business transformation, expanding personnel for business diversification, reinforcing governance, and addressing climate change and other global issues that have gained attention.



<p>Materiality</p> <p>1</p>	<p>Promotion of Innovation Centered on Telecommunications</p> <p>Values We Embrace (1) Through Satellite Growth Strategy centered on communications, promote innovation that customers can experience in their daily lives and create a future society.</p> <p>(2) Realize a sustainable industrial/infrastructure environment by providing innovative solutions for communications and other social infrastructure/connected vehicles.</p>
<p>Materiality</p> <p>2</p>	<p>Realization of Safe, Secure, and Prosperous Society</p> <p>Values We Embrace (3) Realize regional co-creation by connecting people and regions together with DX centered on communication and solving information gaps and regional issues.</p> <p>(4) Eliminate regional and economic disparities by contributing to local economic development through the maintaining and expanding of communications and peripheral services in emerging overseas countries.</p>
<p>Materiality</p> <p>3</p>	<p>Carbon Neutral</p> <p>Values We Embrace (5) In addition to achieving carbon neutrality in fiscal 2030*, we will provide customers with renewable electricity and contribute to solving the global climate change problem.</p> <p>* Scope 1+2</p>
<p>Materiality</p> <p>4</p>	<p>Strengthening the Group Management Base Through Progressing Governance</p> <p>Values We Embrace (6) Create social and environmental value by establishing a strong management infrastructure through the strengthening of governance in the entire KDDI Group.</p> <p>(7) Respect human rights in all business activities, eradicate human rights violations in the supply chain, and contribute to the sustainable growth in society.</p>
<p>Materiality</p> <p>5</p>	<p>Human Resources First</p> <p>Values We Embrace (8) Create innovation and contribute to the sustainable growth in society by fostering a corporate culture that encourages the active participation of diverse and professional talent while also providing a challenge.</p>
<p>Materiality</p> <p>6</p>	<p>Advancing Stakeholder Engagement</p>

Below are the metrics and targets related to the Group's initiatives (implementation details) to address these six material issues (materialities). In accordance with revisions to the mid-term management strategy, the Company is changing the timeframe and metrics for medium-term targets related to sustainability (extending the target deadline from FY25.3 to FY26.3).

Values We Embrace	Mid-Term Sustainability Targets (FY23.3-FY26.3)			
	Details of implementation	Index	24.3 result	26.3 target
a. Building future society	Promoting business creations and R&D projects based on New Satellite Growth Strategy*1	Number of projects (cumulative total)	44	80
	Providing LX Services in collaboration with local governments	Expansion of LX Service provision areas and number of facilities		
	Promoting innovation to strengthen intellectual capital	Number of patents held in 5G/Beyond 5G + New Satellite Growth-related areas *1	Increased by 23% compared to the previous year	Increased by 15% compared to the previous year
b. Realization of sustainable industrial/infrastructure environment	Contribution to industry/infrastructure DX	IoT connections (cumulative total) *2	41.97 million lines	54 million lines
	Promoting customer workstyle reform	Percentage of KDDI customers (corporate customers) deploying solutions to support workstyle reform *1	31%	37%
	Expand 5G coverage	Contribution to the target of 5G population coverage of 97% (by FY26.3) *1		
	Eradication of major incident	Number of serious incidents (equipment failures)* * Based on the Ministry of Internal Affairs and Communications' incident reporting guidelines etc.	0	0
c. Regional co-creation	Solving disparity in regions	Number of people supported (Mid-Term cumulative total) * Cumulative number of users for smartphone classrooms, in-store support, usage support, smartphone and mobile safety classrooms, and local experience support services. *1*3	11.8 million people	20 million people
	Eliminating financial divides	Transaction volume of settlement/loan	18.0 trillion yen	22.1 trillion yen
d. Eliminating regional and economic disparities globally	Expanding global business in emerging countries	Respect the human rights of the people in emerging countries and strive to maintain the social infrastructure that is essential to people's daily lives.		
	Education and training of the next generation in Mongolia using telecommunications	Number of supporters for educational activities to promote safe mobile internet usage and more (cumulative total) *1	—	8,000 employees
e. Carbon neutral	KDDI's carbon neutrality including telecommunication facilities *4	Achieving carbon neutrality within the Group Scope 1+2 *1 *5	—	Achievement of FY2030 carbon neutrality
		Achievement of carbon neutrality by the Group at its worldwide data centers * Excluding data center facilities and equipment provided by other companies on a partial lease basis *1	53%	100%
		Scope 1+2+3 Achieving net zero*1	—	Achievement of FY2040 carbon neutrality
	Providing renewable energy to customers	Achievement of 50 % of corporate contracts supplied with renewable energy (The company standalone)	Additional renewable energy electricity amount: 420,000 kWh	Achievement of FY2030 carbon neutrality

	Providing next-generation renewable energy solutions	Expand provision of carbon neutral support solutions to corporate customers * Green ICT/telecommunications, power SL, DX-SL, consulting, etc.		
f. Strengthening the management infrastructure of the entire the Group	Strengthen the governance and information security of the Group as a whole	Number of serious incidents*6 • Cybersecurity-induced divulgence of personal data and significant service outages • Inappropriate use of personal data • Serious incidents other than the above	0	0
		Number of initiatives of advanced security technology*7 (Cumulative total)	12	23
g. Respect for human rights	Conduct business activities with respect for human rights	Conduct human rights risk assessments in business activities, including those of Group companies, and make improvements based on the results		
	Human rights due diligence*8	Improvement rate in the activities of high-risk suppliers that may be violating human rights*1	Response rate 75%	Improvement rate: 100%
h. Advancement of professional human resources and engagement improvement	Career development for professional human resources (Employee Development Policy)	Percentage of professional human resources in specialized fields (The Company non-consolidated)	40% *Strategic areas	45% *all areas
		All employees who have completed DX basic skills training (The Company non-consolidated: cumulative total) * Learning opportunities to be expanded to the Group companies	10,721 employees	— *9
	Conduct the Employee Engagement Survey (Internal Environment Improvement Policy)	Maintain and improve employee engagement score (The Company non-consolidated)	74	Maintain 72 or over
	Promotion of diversity-oriented human resources (DE&I) (Internal Environment Enhancement Policy)	Ratio of female directors (The Company non-consolidated)	16.6%	25% or over
		Percentage of females in managerial positions*10 (The Company non-consolidated)	11.0%	— *11

*1 Revised in line with changes in the business environment, social trends, business expansion, etc.

*2 Number since the start of the service.

*3 The results for the FY24.3 period are based on the indicators before the revision.

*4 For details on our efforts towards achieving carbon neutrality, please refer to the KDDI website.

*5 The Company consolidated aims to achieve carbon neutrality by FY2030.

*6 Cases that require reporting or notification to the competent authorities and cause severe reputational damage.

*7 Number of news releases and topics by KDDI (non-consolidated) and KDDI Research, Inc.

*8 Top 90% of the Group procurement businesses and suppliers with known human rights risks are covered.

*9 FY25.3 target: "All employees."

*10 This number does not include employees who have temporarily transferred to KDDI and other companies. Personnel in managerial positions:
The actual percentage of leaders who have personnel evaluation authority and experts in specialized area as of April 1, 2024.

*11 FY25.3 target: "15% or more."

※Details and indicators of the integration carried out since FY 2024 are available on our company's website.

Reference: (https://www.kddi.com/extlib/files/english/corporate/sustainability/targets/pdf/targets_besshi.pdf)

C. Risk management

Risk Management and Internal Control

Based on the Companies Act, we have resolved the "Basic Policy for Constructing an Internal Control System" at the board of directors and have established and operated an internal control system, including a risk management structure, in accordance with this policy. We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management as a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the Group.

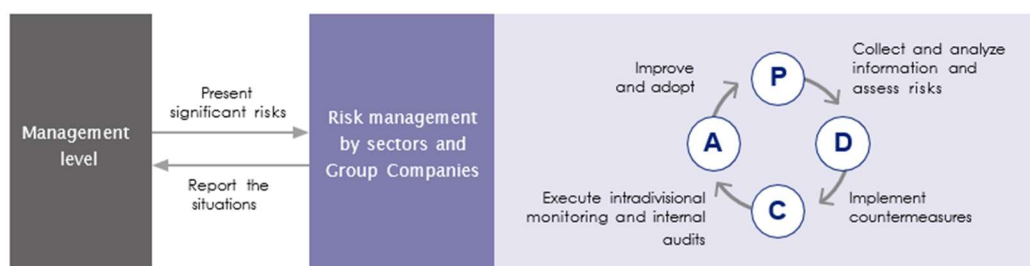
Risk Management and Internal Control

We have established a system to centralize the management of risks with the Corporate Sector. Furthermore, we are

promoting risk management throughout the Group, in order to realize the continuous growth of the entire group. We have appointed 44 Internal Control System Managers within the Company and 45 at group companies, as well as 5 Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

Risk Management Activity Cycle

In order to prevent critical events for the company, we at the Company consider that it is important to recognize signs of danger and implement preventive measures before the situation worsens. Based on this idea, we follow the PDCA cycle for risk management. We also have an organizational framework for risk management in place to ensure any risks we find will be addressed promptly and appropriately.



Risk Identifying Process

We regularly examine information about risks to identify significant risks that seriously influence corporations and discuss measures to reduce such risks and their impacts as much as possible in case we face them.

In order to ensure the achievement of our business goals, in FY2023, we selected 23 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits centered on risk prediction, the reduction of significant risks and risk approach. In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the group. The status of these significant risks is also reflected in the "business risks" section disclosed in the Securities Report.

Initiatives in Response to the Internal Control Reporting System (J-SOX)

In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented since FY2008, we conducted evaluations of the internal controls at KDDI and 11 major group subsidiaries (totaling 12 companies) in Japan and overseas to ensure reliability of our financial reporting. The results of these evaluations were compiled in an internal control report, which was submitted to Japan's Prime Minister in June 2024, as well as disclosed to investors.

Activities to Enhance Operational Quality

We established an Internal Control Department that autonomously promotes initiatives for improving the overall operational quality of the whole Company, and an Internal Control System Manager in each division facilitates initiatives that enhance the efficiency and standardization of operations. Business improvement projects resulting from this activity are added to a database, enabling all employees to utilize activities to enhance operational quality in their own divisions.

Furthermore, to further raise each employee's awareness and motivation regarding the quality of operations, we have introduced the Operational Quality Improvement Prize to recognize excellent and ambitious initiatives.

Activities to Enhance Operational Quality

- Formulate self-directed targets and progress targets for each division and share them company-wide
- Recognize excellent business improvement ideas with company-wide awards once a year
- Conduct awareness surveys about activities to improve business quality once a year

D. Metrics and targets

Please refer to information in B. strategy above.

(2) Human Capital • Diversity

A. Governance

Please refer to A. Governance under "Sustainability in General" as stated in (1).

B. Strategies

With sustainability management as a core principle, the Company aims to achieve sustainable growth in society and enhance corporate value with its partners by promoting its New Satellite Growth Strategy and strengthening underlying management infrastructure. One aspect of strengthening our management infrastructure is advancing our transformation into a Human Resources First Company.

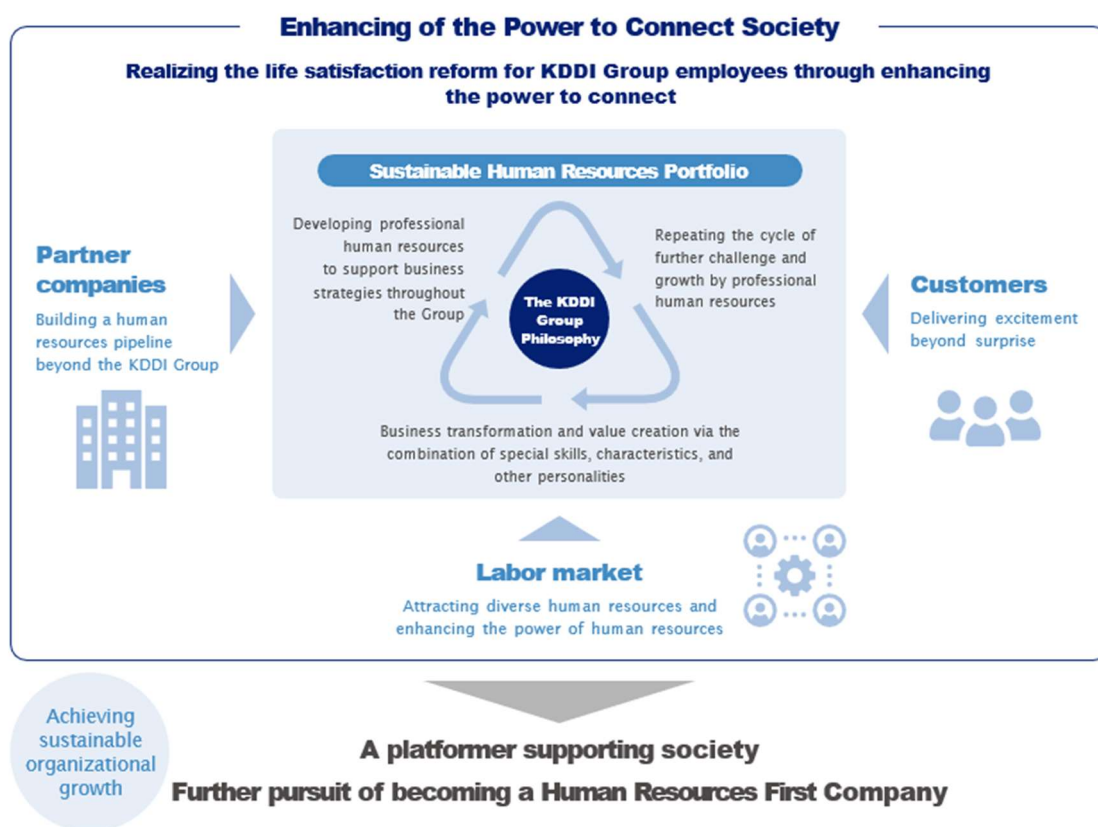
[Realization of KDDI Vision 2030]

a. Realization of a sustainability human resource portfolio

As the business environment undergoes significant changes and the New Satellite Growth Strategy expands our business into DX, finance, energy and other areas, it is vital that we acquire a diverse range of professional talent, and by mixing these diverse talents together, we can foster innovation that enhances business and organizational functions. We therefore need self-driven professionals with specialized skills who continuously challenge themselves and grow. Within the Group, individuals will find opportunities to demonstrate their unique abilities, enhance their skills through new challenges, and pursue even higher levels of achievement. As professionals in various fields recognize and elevate each other, the Group will consistently nurture a sustainable human resource portfolio that facilitates its transformation into a Human Resources First Company.

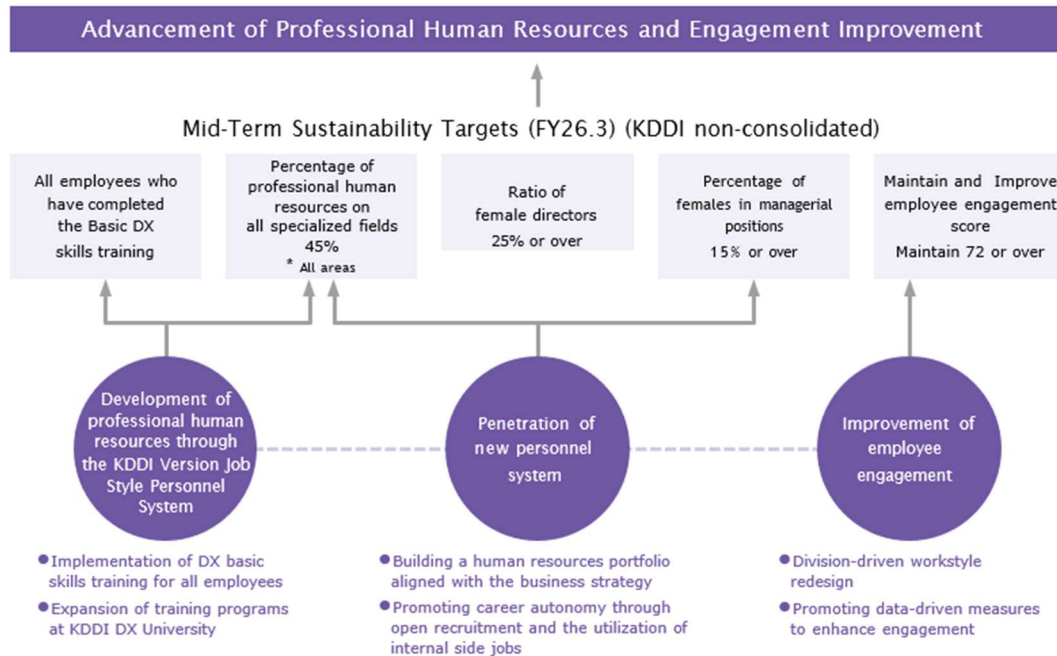
b. Strengths tied to society

“Improving well-being through life satisfaction reform” is also a crucial element in our pursuit as a Human Resources First Company. In an era of work-life integration, where the boundaries between work and life are blurring, we must address not only workstyles and job satisfaction but also employees’ pursuit of life satisfaction. By pursuing life satisfaction for its employees, the Company will become an even more attractive company that increases engagement with its customers, partners, and the labor market, continuing to be loved and trusted by them.



a. Three-part reforms

To advance its transformation into a Human Resources First Company, the Company has been undertaking three-part reforms since FY21.3 to (1) penetrate its new personnel system, (2) develop professional human resources through the KDDI Version Job Style Personnel System, and (3) enhance employees' engagement. As the centerpiece of these reforms, the KDDI Version Job Style Personnel System encourages all employees to proactively acquire new skills that are applicable in new areas while leveraging their experience gained in the existing telecommunications business, with the ultimate aim of becoming professional talent recognized both within and outside of the Company.



(Note) Shows FY25.3 targets for DX basic skills training graduates and the ratio of women in management positions.

[Penetration of New Personnel System (Efforts related to human resource development policy and internal environment improvement policy)]

a. A human resources portfolio that contributes to the execution of business strategies

In response to the deployment of the New Satellite Growth Strategy, there is a need for rapid and flexible adjustments in the organizational and personnel aspects. In order to ensure the qualitative and quantitative sufficiency of human resources required for the business strategy execution, it will be necessary to reallocate personnel internally and secure them externally. To achieve this, we plan to build a human resources portfolio that identifies the desired profile of our work force and the existing gaps.

Within the human resources portfolio, the skills and performance of all KDDI employees can be quantified. We have defined “jobs” for 30 specialized areas within KDDI, further segmented by job roles and responsibilities, and have also defined the skills required for each job. Assessments have been created for each of these skills. By utilizing the results of these assessments, organizations will be able to understand the gap (in terms of quality and quantity) between the current skill levels and the desired state for achieving their respective goals.

Additionally, by centrally managing information such as gender, age, and career history in the human resources portfolio, we will be able to use data to determine the optimal combinations of organizational structures and individuals.

Through these initiatives, we aim to activate workforce reallocation and strengthen the alignment between business strategy and HR strategy.

b. Promotion of career autonomy

We are actively working on individual capacity development and growth support so that employees can remain proactive in pursuing their career aspirations. This includes the implementation of regular 1-on-1 meetings between supervisors and team members. We have found correlations between the frequency and content of 1-on-1 meetings and engagement scores. We will conduct career management training for all line managers to enhance their career support capabilities. The annual “Career Plan Declaration” allows employees to reflect on their future careers, engage in specific discussions with their supervisors during 1-on-1 meetings, and explore the direction of their career development, job assignments, internal side jobs, and referrals for talent recruitment.

To accumulate and visualize employee career information, we have introduced the Talent Management System “X-Career.” This system actively supports employees’ diverse growth and challenges by utilizing a wide range of business areas. It aims to enable each employee to expand and deepen their careers, fostering innovation through the integration of individual careers. We promote workforce mobility across the entire Group, expanding opportunities for internal and external assignments, career advancement, and human resources recruitment, all aimed at encouraging employees to autonomously shape their careers.



Point We will promote the mobility of human resources throughout the entire Group, expand opportunities for secondments both within and outside the Group, provide transfer opportunities for career realization and enhance the recruitment of human resources.

c. Promotion of diverse human resources' active participation

As the first step towards achieving diversity in human resources, we are committed to eliminating gender gaps. The results of our employee engagement survey have shown a slight overall lower score among women. Recognizing that formal equality alone is insufficient to bridge this gap, we are enhancing our support to remove gender-related unfair barriers and level the starting point.

In pursuit of achieving our numerical targets for the representation of females in managerial positions, we have

undertaken initiatives such as “Unconscious Bias Training” aimed at changing the mindset of our executive leadership, “Roundtable discussions with females in managerial positions” to learn from the experiences of female leaders, and company-wide e-learning programs to raise awareness of DE&I and the importance of women’s advancement. These efforts are part of our commitment to fostering an organizational culture and environment that allows diverse talents to thrive and deliver high performance.

Furthermore, we aim to increase the representation of women from the recruitment stage by conducting seminars and internships targeting female students. Additionally, we are actively promoting paternity leave uptake among male employees and aim for a 100% uptake rate. To achieve this goal, we continue to conduct workshops targeting male employees and their families.

[Professional Human Resources Development through the KDDI Version Job Style Personnel System (Efforts related to human resource development policy)]

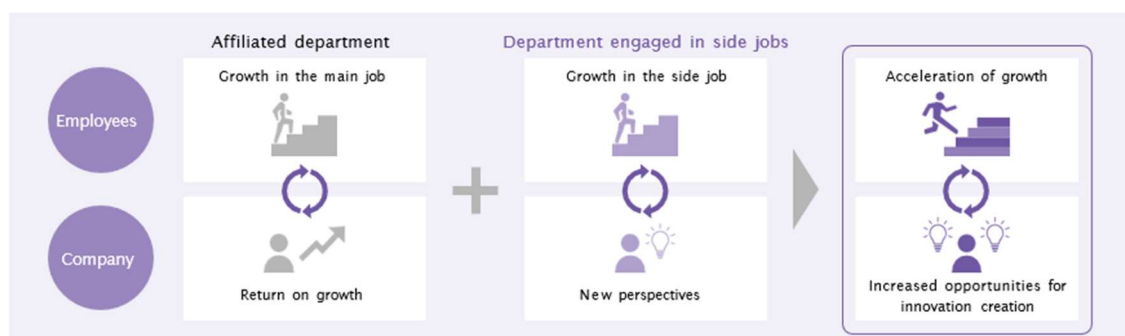
a. Reskilling through KDDI DX University

To foster professional talents as a source of innovation and promote the improvement of employees’ DX (Digital Transformation) skills, KDDI established the internal human resource development institution “KDDI DX University (KDU)” in FY21.3. To promote business transformation through the utilization of data and technology, we are implementing DX basic skills training for all employees. In addition, we conduct specialized training in each of the five DX-related areas, * through “DX Core Skills Intensive Training” and “DX Specialized Skills Training.” In FY 24.3, we are flexibly adapting to technological trends by expanding specialized training in areas such as generative AI, Web 3.0, and digital Twin.

* Focuses on 5 specialized areas: Business Development Specialist, Consultant & Product Manager, Technologist, Data Scientist, and Experience Architect.

b. Cross-boundary learning through in-house side job system

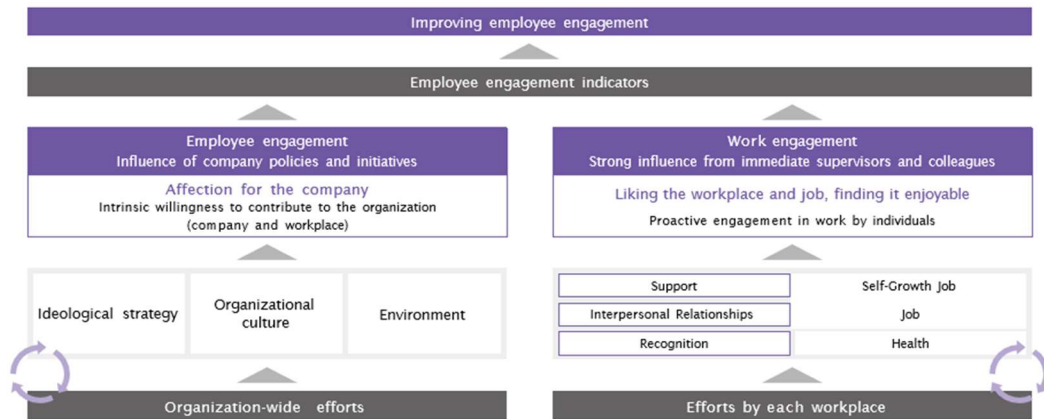
Since FY21.3, we have had an in-house side job system to help employees gain experience outside their primary roles and enhance their skills, as well as to place the right person in the right job. We received feedback from employees “expressing the desire for a platform to hone their expertise or gain experience in other departments.” However, the traditional approach of periodically reassigning employees every few years or assigning them to concurrent roles posed challenges in flexibly accommodating these preferences. The introduction of the “in-house side job system” allows employees to voluntarily apply for open positions within the Company and the Group based on their interests and aspirations. This enables employees to embark on new challenges more swiftly and flexibly when compared to periodic reassignments. Side job opportunities range from “improving QR code payment apps” to “solving regional issues using ICT/IoT.” The in-house side job system accelerates the exploration of employees’ expertise and the acquisition of new skills while increasing opportunities for innovation through the synergy of talents across organizational boundaries.



[Employee Engagement (Initiatives Related to Internal Environment Improvement Policy)]

a. Encourage use of results of engagement survey

We conduct employee engagement surveys quarterly. The overall engagement score has continued to rise since the start of the current survey in FY20.3 and we have maintained the Mid-Term Sustainability Targets of “72 or higher” since FY22.3. Particularly, key drivers such as “relationships,” “support,” and “recognition” have shown improvement, which we attribute to the establishment of trust through regular one-on-one meetings between supervisors and team members and support for work and career development. Furthermore, we are enhancing our capacity to analyze engagement data to further utilize survey results in the consideration of HR and workstyle policies. Going forward, to further improve engagement, we will enhance demographic-specific analysis, provide training for leaders, and establish analytical environments for each workplace, promoting activities at both the company-wide and workplace levels.



The “Challenging Culture,” which has been a topic since the beginning of the survey, has shown signs of improvement. This improvement is attributed to the establishment of a foundation for psychological safety within the team through one-on-one interactions, dialogues that encourage personal challenges, and the transition to an evaluation system that rewards those taking on individual challenges, thanks to the introduction of a new personnel system.

b. Employee Interviews by In-house Counselor

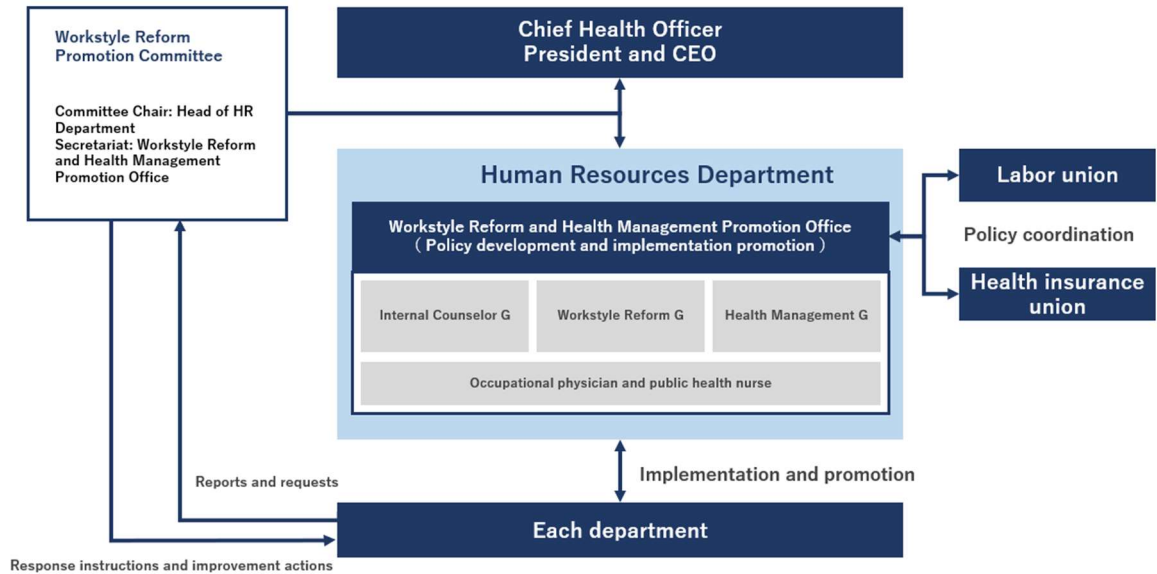
To address the challenge of understanding employees’ mental and physical well-being without relying solely on voluntary reports from employees, we have implemented biannual interviews for all employees conducted by in-house counselors, who are third parties other than supervisors, starting from FY20.3. Instead of passively waiting for employees to come to traditional counseling channels, this approach actively engages with all employees from the company’s side. The objectives of these interviews are: 1) early detection of mental health issues, 2) appropriate management of work assignments, and 3) creating a healthy workplace environment. As of the end of FY24.3, we have 39 internal counselors, most of whom were recruited through open applications with extensive knowledge and experience, including former line managers and certified professionals. The decision to have internal counselors conduct the interviews, rather than external counselors, is based on the belief that employees who understand KDDI’s management policies, philosophy, organizational culture, employment regulations, and internal rules are better listeners. Experienced veteran employees, serving as internal counselors, provide reassurance by empathetically listening to each employee’s concerns, resulting in not only the early detection of mental health issues but also positive effects on career development support. Internal counselors themselves find fulfillment in supporting employees to take a positive approach, contributing steadily to the activation of various employees and the realization of a workplace where everyone can work energetically.



* The Workstyle Reform Promotion Committee is a meeting body that discusses workstyle-related matters. It is chaired by an executive responsible for the HR division and includes division heads as members. Meetings are held monthly.

c. KDDI Group Declaration of Health-Focused Management

The Group recognizes that employee health is a crucial management issue to ensure a happy and vibrant workplace. In the Group Mission Statement, the Group states how it values and cares about the material and emotional well-being of all its employees and strives to deliver a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society. Accordingly, the Company is committed to promoting health-focused management that supports each employee's health, and continuously striving towards a prosperous future. Moving forward, the Group will continue to create an environment in which employees can work with both physical and mental well-being and motivation, maximizing the productivity of each individual. This will contribute to the sustainable growth of the Group and the realization of a sustainable society.



C. Risk management

Please refer to C. Risk management under "Sustainability in General" as stated in (1).

D. Metrics and target

[Metrics, targets, and achievements related to human resource training policy]

For the metrics, targets, and achievements related to the ratio of professional talent in each specialized area and the completion rates in DX basic skills training, refer to the B Strategies section under Overview of Sustainability in item (1). All KDDI employees at the parent company are expected to complete the DX basic skills training, which will be gradually expanded to the Group.

[Metrics, targets, and achievements related to in-house environment improvement policy]

For the metrics, targets, and achievements related to the employee engagement score, the ratio of female directors, and the ratio of women in core management positions, refer to the B Strategies section under Overview of Sustainability in item (1). The employee engagement score survey is being gradually expanded to include all companies within the Group to assess employee satisfaction consistently across the Group.

(3) Achieving carbon neutrality and protecting the global environment

The Company identifies “achieving carbon neutrality” as a key material issue, aiming to become carbon neutral by fiscal 2030* and providing customers with renewable energy to address the global issue of climate change. Under the KDDI Environmental Charter, which outlines our commitment to environmental conservation, we recognize our vital obligation as a global corporation to protect the irreplaceable earth for future generations by protecting the global environment. Across the entire Group, we promote initiatives to realize a carbon-free society, conserve biodiversity, and form a recycling-oriented society.

Regarding climate change, we follow the TCFD framework, and for biodiversity, we adhere to the TNFD framework.

*KDDI’s definition of carbon neutrality can be found here:

<https://www.kddi.com/english/corporate/sustainability/efforts-environment/carbon/>

A. Governance

The Company has the Sustainability Committee, chaired by the President and Representative Director, and consisting of key members of the Board of Directors, etc., to deliberate on issues related to sustainability, such as the resolution of social issues (SDGs) through businesses, social contributions, and measures against climate change. The Sustainability Committee is responsible for monitoring and overseeing risks and opportunities related to climate change, as well as approving reporting and other matters, while identifying and discussing significant issues and initiatives related to climate change and natural capital. In the first half of the year, the Committee reviews the achievement of the previous fiscal year’s targets and, if targets are not met, analyzes the causes and takes countermeasures. In the second half, it reviews the progress of the current fiscal year’s targets and sets the targets for the next fiscal year. The Board of Directors receive reports from the Sustainability Committee every quarter on the progress of initiatives related to climate change and natural capital, monitoring and providing guidance on how measures are taken for key issues and initiatives.

Moreover, to evaluate and address nature-related risks and engage with affected stakeholders, such as local communities and residents, we have established the Group Human Rights Policy. This policy, based on the Group Mission Statement, clarifies our commitment to respecting human rights to fulfill our responsibilities to all stakeholders. Under this policy, we have identified significant human rights issues within the Group, which include providing services and products that respect human rights, harmonizing with local communities and eliminating human rights violations in the supply chain. We are committed to being mindful of the rights of local residents during the construction of facilities, and to ensuring that no human rights violations occur in our supply chain, such as the use of conflict minerals. Furthermore, we strive to improve our human rights efforts by engaging in dialogue and consultation with relevant stakeholders, including municipalities, local communities, suppliers, and professionals, to address real and potential negative impacts on human rights.

B. Strategy

The Company has carried out two types of analyses: the 1.5°C scenario in which a carbon-free society will be rapidly realized (the increase in the global average temperature is held below 1.5°C above preindustrial levels) in response to the Paris Agreement adopted at COP21, and the 4°C scenario in which physical impact will become apparent due to lack of measures against climate change (the increase in the global average temperature is held at 4°C above pre-industrial levels). Additionally, we have identified and evaluated nature-related risks in the value chain.

On May 9, 2024, the Company formulated the KDDI GREEN PLAN, a medium- to long-term environmental conservation plan to contribute to the conservation of natural capital. Recognizing harmony with the global environment as a key management theme, the Company has promoted the KDDI GREEN PLAN 2030, focusing on forming a recycling-oriented society, realizing a carbon-free society, and conserving biodiversity in an effort to enhance environmental value. On changing the name of this plan to the KDDI GREEN PLAN, we have set new targets for risk reduction and the creation of business opportunities to enhance corporate value over the medium to long term. We aim to further enhance environmental value and invigorate our activities.

a. Climate change

Results of scenario analysis

- The 1.5°C scenario entails the rapid realization of a carbon-free society (a future where the goal of keeping the global average temperature rise to 1.5°C from pre-industrial levels is achieved).

Reference : IEA (International Energy Agency) 「World Energy Outlook 2021」 Net Zero Emissions by 2050 Scenario (NZE Scenario)

Analysis of transition risks		KDDI's risks	KDDI's response
Policies and legal (short- and mid-term strategies)	Carbon tax	Risk of a carbon tax*1	Promote transition from fossil fuel to renewable energy electric power
	Tokyo Metropolitan Ordinance/Emission Regulations	Risk of increased costs of buying credits (allowances) for unachieved CO ₂ emission reduction	Purchase of emission credits equivalent to 190,000 t-CO ₂ of unachieved CO ₂ emissions expected to occur during the Third Plan period from FY21.3 to FY25.3 (CO ₂ emission credits generated during the Second Plan period), 40,000 t-CO ₂ in FY21.3 period and 150,000 t-CO ₂ in January 2023. These emission credits are scheduled to be allocated in the period from FY26.3 to FY27.3, depending on the results of the third plan period from FY21.3 to FY25.3.
Introduction of new technologies to reduce CO ₂ emissions and electricity consumption (mid-term strategy)		Risk of increased power consumption of telecommunications equipment due to increased communications volume	Aiming for a sustainable data center that contributes to decarbonization, a 94% reduction in power consumption for server cooling is being researched and developed with Mitsubishi Heavy Industries, Ltd. and NEC Networks & System Integration Corporation using immersion cooling, which uses liquid to cool IT equipment. In addition, a base station sleep function (sleeping during the night when traffic is low) has been introduced to promote the reduction of power consumption. We have developed a function for a millimeter-wave radio model in-house and are accumulating know-how and identifying problems. It is expected to reduce power consumption by approximately 100 kWh per year per radio.
Market and reputation (long-term strategy)		Risk of decrease in subscribers and deterioration in KDDI's corporate value due to delays in initiatives to use more renewable energy and missed targets for achieving carbon neutrality	The Company is switching from fossil fuels to renewable energy sources. It plans to switch the 2.7 billion kWh of electricity consumed in its business operations to renewable energy sources. Furthermore, the Company established au Renewable Energy, Inc. as a Group company to start additional renewable energy generation projects, such as solar power.

*1 Projected CO₂ emissions for fiscal 2030 are approximately 675,000 t-CO₂. Assuming a carbon tax of ¥14,280 per ton of CO₂, the annual tax risk is estimated to be around ¥10 billion.

- The 4°C scenario is where no climate change measures are taken, resulting in a future where the global average temperature rises by 4°C from pre-industrial levels and physical impacts become evident.

Analysis of physical risks (Analysis using RCP 8.5 physical risk scenario)		KDDI's risks	KDDI's response
Acute	Increase in frequency and severity of disasters caused by abnormal weather (typhoons, flooding, etc.)	Risk of higher costs, such as key personnel for emergency repairs in order to rapidly restore communications networks	Prepare for efficient repair work by revising BCP*2 and conducting disaster recovery drills
Chronic	Rise in average temperature	Risk of increase in amount of electricity used for cooling KDDI's data centers in order to cool servers managed on behalf of customers	Introduce high-efficiency air conditioning systems and switch to renewable energy

*2 Business Continuity Plan

Reference : IPCC (Intergovernmental Panel on Climate Change) Fifth Assessment Report

b. Natural capital

We identify and evaluate nature-related risks within our value chain. In light of the relationship between our business scale and natural capital, we qualitatively assess and decide which risks to prioritize. We analyze the nature-related risks and develop and promote corresponding countermeasures to these risks.

(1-1) Understanding dependency and the impact on natural capital

How to understand the level of dependency and impact

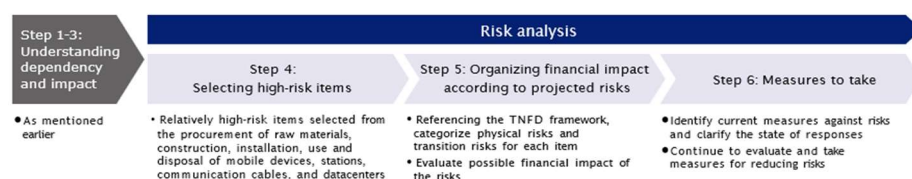


Based on the unique business perspectives specific to the Company, the key items identified in the context of dependencies and impacts are as follows:

- Extraction of raw materials, especially metals, used in mobile devices, and their impact in terms of changes in land use and water resources, particularly in continental areas
- Soil contamination from use of hazardous substances in the manufacture of mobile devices
- Impacts on changes in land use, especially in continental areas, from the construction of base stations and installation of communication cables
- Dependence on water resources and the functions of climate and land stability in the procurement of raw materials used in base stations and communication cables

(1-2) Risk analysis of natural capital

Approach for the risk analysis



Risk analysis results

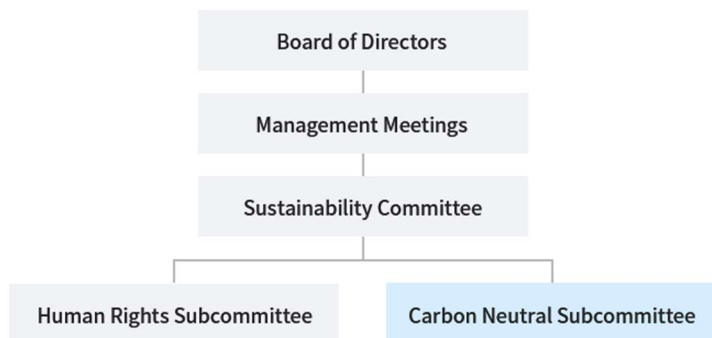
Target domains	Key items of dependency and impact	Category	Risk factors	Impact to finance	Risk-reducing measures
Mobile devices	<ul style="list-style-type: none"> • Impact of terrestrial ecosystem use and to water resources from mining to obtain raw materials (especially metals) for mobile devices • Soil pollutants from the use of toxic substances arising from mobile device production 	Physical risks	Acute <ul style="list-style-type: none"> • Disaster-prevention features declining due to deforestation from mining • Increased risks of floods and landslides 	Costs increasing: Supplies of raw materials getting destabilized as suppliers get damage, which will also cause prices to soar	<ul style="list-style-type: none"> • Procurement of products according to the Act on Promoting Green Procurement • Establishing and running sustainable and responsible procurement guidelines • Engaging key suppliers, including conducting surveys on initiatives such as reducing environmental impact and conserving biodiversity • Promoting recycling of used mobile phones
			Chronic <ul style="list-style-type: none"> • Decline of water resources from excessive use of water 	Cost increasing: Destabilizing raw material supplies, which also causes prices to soar	
		Transition risks	Laws and regulations <ul style="list-style-type: none"> • Enhancement of laws and regulations concerning mining and land pollution 	Cost increasing: Laws and regulations getting enhanced causes prices to soar and supplies to decline	
			Reputation <ul style="list-style-type: none"> • Criticism, and reputation worsens from deforestation, water use, water contamination, etc. 	Sales decreasing: Sales decreasing as reputation from stakeholders including customers worsens	
Stations, Communication cables	<ul style="list-style-type: none"> • Impact on terrestrial ecosystem especially on land from building stations and installing communication cables • Dependency on stabilizing features of water resources, climate and land to procure raw materials for stations and communication cables 	Physical risks	Acute <ul style="list-style-type: none"> • Cutting down trees and invading living creatures' habitats for installation, decline of disaster-prevention features from ecosystem use • Increase of flood and landslide risks 	Cost increasing: Additional costs incurred to maintain ecosystems/Fees arising to recover damaged stations and communication cables	<ul style="list-style-type: none"> • Designing communication cable routes that are suited to environment-conservation areas • Collaborating with relevant organizations for various initiatives such as implementation of disaster-proof structures and quick support activities for victimized areas • Building stations with considerations to landscape • Promotion of reuse and recycling when facilities are discarded
			Transition risks <ul style="list-style-type: none"> • Criticism about views getting lost, and reputation worsening 	Sales decreasing: Sales decreasing due to reputation worsening	

C. Risk management

The Corporate Sector, which oversees risk management for the Group, conducts risk assessments twice a year (once every six months) to identify risks, including those related to climate change and natural capital, that may have significant financial and strategic impacts on all business divisions. Of the risks identified, those related to climate

change are managed using an environmental management system (EMS) approach, utilizing the ISO environmental management system.

With regard to the risks to be managed, each relevant division sets quantitative annual targets for risk reduction and evaluates the progress on a quarterly basis. Issues pointed out in the progress evaluation are reported to the Carbon Neutral Subcommittee, a subcommittee of the Sustainability Committee, and risks and opportunities related to the entire company and all divisions are discussed and approved by the Sustainability Committee.



D. Metrics and targets

To accelerate the realization of a carbon-free society, the Company has set four environmental targets for the Group (*1) to achieve on the path to net zero emissions by the end of fiscal 2040.

	Environmental target (*2)	Target fiscal year	Details
1	Achieve net zero emissions for the Group	FY2040	Achieve net zero emissions (effectively zero emissions of CO ₂) from entire supply chain, including Scope 3 (*5) emissions, in addition to emissions related to the Group business activities (Scope 1 (*3) and Scope 2 (*4))
2	Achieve carbon neutrality for the Group	FY2030	Emissions related to the Group business activities (Scope 1 and Scope 2)
3	Minimum ratio of 50% for KDDI's additional (*6) renewable energy	FY2030	Achieve a ratio of more than 50% in additional renewable energy for electricity consumed by the Company
4	Switch to 100% renewable energy sources for Telehouse data centers	FY2025	For all Telehouse-brand data centers operated globally by the Group, redefine target to switch to 100% renewable energy for electricity used, and achieve this goal one year ahead of schedule

(*1) Scope of targets is the Company and its consolidated subsidiaries.

(*2) See the link below for definitions of each target.

<https://www.kddi.com/english/corporate/sustainability/efforts-environment/carbon/>

(*3) Direct greenhouse gas emissions from a company's own operations.

(*4) Indirect emissions from the use of electricity, heat and steam supplied by others.

(*5) Other indirect emissions (emissions from other entities related to a company's activities).

(*6) The effect of increasing the total amount of renewable energy introduced in society by newly installing solar power generation equipment or other renewable energy sources by a company.

KDDI has calculated greenhouse gas emissions for itself on a non-consolidated basis since fiscal 2012 and for the entire Group since fiscal 2021. Based on this quantitative assessment of the environmental burden, the Company manages risks and opportunities related to climate change.

CO ₂ emissions	FY2023 (estimates)
Scope 1 (Direct greenhouse gas emissions from our own operations)	24,644 t-CO ₂
Scope 2 (Total of indirect emissions from the use of electricity, heat and steam supplied by others)	1,053,778 t-CO ₂

For the most up-to-date information, please refer to the *KDDI Integrated Sustainability and Financial Report 2024*, which is scheduled for publication after September, for details about actual greenhouse gas emissions (Scope 1+2).

Additionally, the Company aims to achieve net zero emissions for Scope 3, which are indirect emissions not covered by Scope 2, by the end of fiscal 2040. In fiscal 2022, Scope 3 emissions for KDDI alone were 5,252,273 t-CO₂. Categories 1 and 2 accounted for 92% of total Scope 3 emissions. The Company will continue its efforts to reduce greenhouse gas emissions.

As indicators of natural capital, besides greenhouse gas emissions, we quantitatively monitor water resource consumption and industrial waste emissions. We also track the number of post-consumer mobile phones collected as an indicator of waste reduction efforts.

To better understand overall conditions in the Group's supply chain, we conduct surveys with key suppliers to raise awareness of and emphasize the importance of environmental initiatives in sustainable procurement. We ask our suppliers to share their issues and activities related to these efforts. The results of these surveys and other information related to promoting sustainable procurement are regularly reported to and supervised by the Executive Officer of Sustainability (Head of the Corporate Sector). Starting from fiscal 2023, three companies (Nippon Telegraph and Telephone Corporation, KDDI, and SoftBank Corporation) have adopted a common Self-Assessment Questionnaire (SAQ) to further strengthen engagement with suppliers.

3 Business Risk and Other Risk Factors

Below, we describe the major risks that management recognizes as potentially having a significant impact on the financial condition, business performance, and cash flow (hereinafter referred to as “business performance, etc.”) of the Group, as detailed in its Securities Report, which includes information related to the state of operations and accounting.

Additionally, even matters that are not currently recognized as risks but are considered relevant to the investment decisions of investors are disclosed from the perspective of engaging in proactive information disclosure to investors.

KDDI has established a centralized system for promoting risk management activities. To achieve the sustainable growth of the entire Group, including subsidiaries, KDDI is committed to promoting risk management across the Group. Recognizing that it is crucial to detect early signs of crises and take measures before situations deteriorate, KDDI has implemented a PDCA (Plan-Do-Check-Act) cycle for risk management activities. Moreover, we have established a crisis management system to respond promptly and appropriately when risks emerge. With the understanding that these risks might cause problems, we are committed to preventing the emergence of risks and responding appropriately and timely if they do materialize.

Please note that this section includes forward-looking statements, which are based on judgments made as of the end of the fiscal year under review. Potential risks and uncertainties are not limited to those mentioned here.

(1) Competition with other companies and technologies, and rapid changes in the market and business environment

The rapid digital shift occurring across various fields due to the COVID-19 pandemic has significantly increased the importance of telecommunications. The government has also promoted its “Vision for a Digital Garden City Nation” to revitalize regions with digital technology, accelerating the digitalization of people’s lives and businesses. KDDI is committed to supporting new lifestyles for people and creating a resilient future society that balances economic development with solving social issues.

However, competition with other companies and technologies, as well as rapid changes in the market and business environment, present uncertainties that could impact the Group’s business performance, mainly as follows.

- Whether demand will be in line with the Group’s expectations
- Whether the Group can maintain and expand the expected number of subscribers
- Whether the Group can generate revenue in line with expectations amid population decline and aging
- Whether the Group can generate revenue as expected by entering new businesses
- Intensified competition leading to lower fees and communications revenue, higher sales commissions and higher customer retention costs
- Decline in communication fee revenue due to decline in service usage frequency by subscribers
- Whether network and content quality can maintain customer satisfaction, even in unforeseen circumstances
- Whether KDDI can always offer more attractive devices, content, products, and services than other companies
- Addressing of product defects along with expansion of merchandise sales business
- Increase in device prices and sales commissions as devices functionality improves
- Spam and threats from security vulnerabilities in smartphones reducing customer satisfaction and increasing cost of prevention measures
- Increase in network costs due to surges in data traffic and a rise in base station construction to support new frequencies
- Whether the Group can secure needed frequencies
- Intensification of competition due to new high-speed data wireless technologies
- Impact of dependence on specific technologies for communication methods, devices, networks, and software
- Reduction in voice call revenue due to growth in free call apps
- Potential increase in interconnection fees with other telecommunications operators
- Intensification of competition due to business environment changes, such as partnerships with different sectors, bundled sales of communication and other products like electricity, new MNO and MVNO operators, and the diversification of business areas by other operators
- Whether revenue can be generated as expected amid competition in financial business
- Additional provisions to bad debt reserves due to market fluctuations in financial business and the deterioration of debtor credit scores, leading to an increase in non-performing loans and a decrease in collateral real estate value
- Increase in communication equipment costs and electricity procurement costs in energy business due to rising fuel prices

(2) Improper handling or leakage of private communications and customer information, and inappropriate use of products and services provided by the Company

In recent years, significant confidential information leaks and improper use of services due to cyberattacks by third parties have become a phenomenon around the world. These cyberattacks are now considered major risks comparable to natural disasters and climate change.

As a telecommunications provider, KDDI vigilantly protects the privacy of communications, and has established the Information Security Committee to protect and manage information assets. This committee develops comprehensive countermeasures to prevent internal information leaks and external hacking attempts, and ensures compliance with global regulations, such as GDPR.

The Group has established a compliance framework with the KDDI Action Guidelines, KDDI Security Policy, KDDI Privacy Policy, and AI R&D and Utilization Principles for the Group, along with the Business Ethics Committee. We are enhancing our systems for managing customer information from a safety perspective in terms of technologies, organizations and people, with stringent rules for managing access permissions, saving and monitoring access logs, prohibiting the internal transfer of data and prohibiting the copying of data from work computers to external memory devices.

To raise awareness, we continuously educate all employees on the protection of communications privacy and customer information. In our aim to enhance information management, we also conduct regular audits of and provide training to business partners, especially au shops, about the risk of information leaks, enforce compliance with security policies, and improve information handling practices. We are enhancing audits of work that involves high-risk customer information. Moreover, we implement measures that include updates to internal organizations, third-party assessments, and conducting Privacy Impact Assessments (PIA) before service implementation to ensure proper customer information handling.

To avoid and mitigate the impact of cyberattacks on our business, we have set security rules in our security standards to protect business systems, and we audit compliance with these rules. These audits are conducted during the transition from system planning to development phase. This not only ensures “security by design” from the planning and design stages, it also facilitates the development of technologies that support advanced security monitoring, thereby strengthening system security for the provision of safe and secure services.

To ensure the safe and secure use of products and services by its customers, KDDI sets up data filtering services in principle when underage customers subscribe to our services, based on the Act on Development of an Environment that Provides Safe and Secure Internet Use for Young People, and endeavors to improve the convenience and awareness of these filtering services. KDDI has established a 24/7 monitoring system to detect phishing scams, collaborate with relevant agencies to prevent damage from fake websites, and monitor for improper service use. We continuously take countermeasures against evolving threats from service misuse.

Despite these efforts, if communications privacy and customer information are leaked due to employees’ intentional/unintentional actions or malicious cyberattacks by third parties, if our services are halted or service equality is degraded, or if its products and services are inappropriately used, this could lead to the deterioration of the Group’s brand image and reliability, and potentially result in compensation claims or fines. Additionally, additional costs may be incurred for further enhancing communications privacy protections, customer information, and cyberattack defense systems, which could potentially adversely affect the Group’s business performance.

(3) Communication disruptions, natural disasters, accidents, etc.

The Group relies on domestic and international communication network systems and equipment to provide voice and data communication services. If a service interruption occurs due to network system or equipment failures, it could negatively impact the Group’s brand image, reliability, customer satisfaction, and business performance.

Additionally, the Group could face similar negative impacts in the event of significant invoicing or billing errors, the closure of distributors, and logistics disruptions that lead to loss of opportunities to provide products and services, or reputational damage on social media and other platforms.

To mitigate the risk of service suspensions and interruptions as much as possible that result from communication disruptions, natural disasters, accidents, and other unforeseen events, the Group is committed to enhancing network reliability and implementing measures to prevent service interruptions. Specifically, we have established disaster response policies to ensure communication services remain operational during disasters. KDDI coordinates closely with domestic and international organizations to prepare for emergencies. In the event of a disaster, we aim to maximize the functionality of each organizational unit to ensure communication continuity and the rapid restoration of facilities to 24/7 operations.

Our consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM) supports the telecommunications operations of

Myanmar Posts & Telecommunications (MPT), a state-run organization under Myanmar's Ministry of Transport and Communications. However, the business activities of this consolidated subsidiary might be restricted as a result of political changes, such as the coup that occurred in February 2021, potentially impacting the Group's business performance. KSGM has lease receivables as part of its core business activities.

KSGM has USD-denominated lease receivable to MPT, and the foreign currency exchange regulations imposed by the Central Bank of Myanmar and Foreign Exchange Supervisory Committee since April 2022 have restricted the collection of these USD-denominated receivables. While KDDI has provisioned for losses on some of these lease receivables in the fiscal year under review, depending on its ability to collect these receivables in the future, KDDI might have to make additional provisions, potentially affecting the Group's business performance. Details on the loss provisions are provided in "32. Financial Instruments" under "1. Consolidated Financial Statements (1) Notes to Consolidated Financial Statements."

The primary causes of potential service disruptions in the Group possibly include:

- Natural disasters, such as earthquakes, tsunamis, typhoons, and floods, as well as secondary disasters, such as the dispersal of hazardous substances
- Pandemics
- Wars, terrorism, accidents, and unforeseen events
- Power shortages and blackouts
- Computer viruses, cyberattacks, and hacking
- Hardware and software failures in operational systems
- Defects in products or services related to communication equipment

(4) Legal changes and policy decisions related to telecommunications and other businesses

Changes in laws, regulations, or policy decisions related to the telecommunications business, as well as the electric power and financial businesses, might have an impact on the business performance of the Group. While we believe that the Group is appropriately addressing these laws, regulations, and policy decisions, including social issues that could affect our brand image and reliability, a failure to adequately respond to such changes in the future could adversely affect business performance.

Regarding the state of policies about competition, KDDI advocates for the need for measures to effectively ensure fair competition with other telecommunications providers through various councils, research groups, and public consultations at the Ministry of Internal Affairs and Communications. However, any potential loss of relative competitive advantage, despite these efforts, could also impact the Group's business performance.

In April 2024, the Act for Partial Revision of the Act on Nippon Telegraph and Telephone Corporation (the revised NTT Act) was enacted. The supplementary provisions of the revised NTT Act stipulate that considerations be taken, including the abolition of the Act on Nippon Telegraph and Telephone Corporation, at the regular session of the Diet that convenes in 2025. Prior to any debate, this pre-emptive directing of the legal system and possibility of rushed debate raise significant concerns for the industry.

Ensuring a fair competitive environment in Japan's telecommunications industry requires a combination of the Telecommunications Business Act, which stipulates fair competition rules, and the NTT Act, which imposes public obligations on Nippon Telegraph and Telephone Corporation and its subsidiaries, NTT East and NTT West, that inherited assets and facilities from the former public corporation. While it is necessary to review telecommunications policies, including the NTT Act, any consideration of abolishing the NTT Act requires careful deliberation. If the NTT Act is abolished, the following concerns could affect the Group's business performance:

- The integration of the NTT Group may hinder a healthy and fair competitive environment in Japan, leading to concerns about elevated user fees and stagnation in innovation, which would ultimately harm the public interest.
- NTT might be relieved of the public obligation to provide universal services, making it challenging to ensure a safe, resilient, high-speed, and high-capacity communication environment across all regions of Japan.
- The NTT Group's strong market dominance might remove regional providers, raising concerns about deterioration in regional services.

Other uncertainties exist in the context of laws, regulatory changes, or policy decisions regarding the telecommunications, electricity, and financial businesses of the Group that could impact its competitive advantages. These include, but are not limited to:

- Review of calculation methods and accounting systems for inter-operator connection fees
- Revisions to the designated telecommunications facilities system and prohibited conduct regulations

- Review of the universal service system
- New market entrants in mobile communication services by MNOs and MVNOs
- Revisions to the frequency allocation system
- Review of the spectrum user fee system
- Regulations on the impact of radio waves on health
- Rules regarding the transition of NTT East and NTT West's fixed-line networks to IP networks
- Antitrust laws and related regulations
- Consumer protection rules
- Regulations to prevent misuse
- Internet regulations due to the increase in harmful websites and other factors
- Rules for measuring internet service quality and advertising
- Review of the telephone relay service system
- Rules related to electricity retailing
- Financial business regulations
- Rules for data management and utilization
- Regulations on platform providers
- Rules for ensuring economic security

(5) Public regulation

The Group is subject to a variety of Japanese government regulations, including business and investment permits as well as national security, in addition to various governmental regulations in each country where it operates. KDDI is also subject to regulations related to trade, antitrust laws, patents, consumer protection, taxation, foreign exchange, environmental protection, labor, finance, and electricity. The Group promptly collects information related to these regulations and takes the necessary procedures and steps to comply. However, if these regulations are strengthened or if the Group or its contractors fail to comply with them, our business activities may be restricted, potentially leading to increased costs.

(6) Litigation and patents

The Group conducts business activities both domestically and internationally, adhering to the laws and other social norms of each country to ensure fair and sound corporate activities. We protect our intellectual property rights related to our products, technologies, and services, and strive to avoid infringing on the intellectual property rights of third parties. However, unexpected litigation, including infringement claims on intellectual property and other rights, could arise and potentially affect the Group's business performance.

(7) Securing, training and managing human resources

The Group is committed to human resource development and career formation support to swiftly respond to technological innovation. However, it may take some time to achieve anticipated outcomes, which could lead to higher human resource investment costs in the future. We also ensure proper labor management and promote workstyle reforms in compliance with laws and regulations. Failure to adequately address these issues in the future could negatively impact the Group's brand image, reliability, and business performance.

(8) Retirement benefits

The Group has established a defined-benefit pension plan (fund type), a lump-sum retirement benefit plan (internal reserves), and a defined-contribution pension plan. We periodically review our asset management policies and asset management institution based on future projections of retirement benefit obligations. However, if the investment returns on the Group's pension assets decline in the future, causing the market value of the pension assets to fall, or if the assumptions used to calculate retirement benefit obligations (discount rates, employee composition, salary increase rates, etc.) change significantly, losses may occur.

(9) Impairment accounting

The Group complies with IFRS in determining signs of asset impairment and conducting impairment tests, ensuring appropriate accounting practices. If business conditions deteriorate in the future, there is a possibility of impairment losses on assets, including goodwill, due to a decline in recoverable amounts.

(10) Telecommunications industry restructuring and Group business reorganization

The Group steadily promotes business strategies and undertakes business reorganization as necessary to respond to changes in the market environment. However, restructuring within the domestic and international telecommunications industry may impact the Group's business performance.

4 Management analysis of financial position, operating results and cash flows

(1) Status of operating results

An overview of the financial position, operating results and cash flows (“operating results, etc.”) of the group (KDDI, its consolidated subsidiaries and its entities accounted for using equity method) during the fiscal year under review follows.

i Status of financial position and operating results

a . Status of operating results

Industry Trends and KDDI’s Position

In recent years, telecommunications functions have seeped into nearly every aspect of society and become essential to everyone’s way of life. The Japanese government has outlined its Vision for a Digital Garden City Nation, which promotes the application of digital technologies, especially in less populated regions, as DX becomes increasingly important to the solution of social issues and regional revitalization.

In order to achieve sustainable growth while responding swiftly to changes in the business environment, in May 2022, KDDI newly established “KDDI VISION 2030: Creating a society where everyone can realize their dreams by evolving the ‘power to connect’”. The Company’s mission is to connect and protect lives, connect day-to-day lives, and connect hearts and minds. To realize “KDDI VISION 2030,” we will further refine our core business of telecommunications and further develop the “power to connect.” We announced “KDDI Digital Twin for All,” which will help create new added value through the integration of physical and cyber spaces while securing the sustainable growth of society through business.

At the same time, we are promoting a mid-term business strategy that looks ahead to 2030, and we aim to achieve the enhancement of corporate value and the sustainable growth of society together with our partners through the Satellite Growth Strategy as our business strategy, and Strengthening of Management which supports the strategy.

Under our satellite growth strategy, we have worked to evolve the telecommunications business and expand the five focus areas consisting of (1) digital transformation (DX), (2) finance, (3) energy, (4) life transformation (LX), and (5) regional co-creation (such as CATV), which centers on telecommunications.

In our core telecommunications business, under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we are concentrating on the construction of a 5G communications network in commercial districts and along train lines—locations where customers spend a lot of their time—ensuring that customers are able to comfortably use 5G in their daily lives. In addition, to broadly support the extraordinary experiences of customers, in collaboration with Space Exploration Technologies Corp. (Space X), we have established a telecommunications environment in areas where it has been difficult to offer services, including mountainous and remote island regions, by using Starlink’s satellite broadband internet. There has been a rise in such unique cases as supporting safe and comfortable hiking activities by improving the telecommunications environment of mountain cabins, reducing telecommunication disruptions at crowded events, and enabling cashless payments. During the Noto peninsula earthquake in January 2024, in conjunction with Space X’s Japanese joint venture Starlink Japan, we provided Starlink service to support the medical activities of the Disaster Medical Assistance Team (DMAT), for backhaul connections to vehicle-mounted, mobile, and ship-mounted base stations during the area’s recovery, as well as to evacuation shelters, the Japan Self-Defense Forces, municipalities, electric power companies, and other organizations. And, in February 2024, following system reform, we began provided Starlink’s MARITIME service in international waters. We plan to begin provided telecommunication services directly connecting satellites and smartphones this year,*1 and, by expanding our telecommunications area to cover all of Japan, we are striving to ensure “eliminating areas without connectivity wherever you are in Japan.”

In addition, in the focus field of DX, we provide business platforms that meet the individual needs of various industries and support the DX of corporate customers. At the same time, with the aim of creating a virtuous cycle of DX in which people’s lives are transformed by newly created value, we created an environment where communication is integrated into everything and customers can effortlessly utilize 5G. In addition, we have developed various finance businesses with the aim of maximizing synergy with telecommunications. We have connected mobile telecommunication services with various financial services, including the internet-only au Jibun Bank, cashless settlement service au PAY, and the credit card au PAY Card. In this way, we have expanded services that ensure customers can easily access many financial services with just their smartphone. Moreover, regarding LX, in March 2023, we launched the metaverse Web3 service αU (alpha U). We have created an abundant future society connecting real and virtual spaces where people can enjoy music events, art exhibits, conversations with friends,

shopping, and more at any time and in any place.

KDDI is also encouraging the use of generative AI to fortify its basis for DX and LX growth. In May 2023, we launched KDDI AI-Chat, a service that makes use of generative AI established with the aim of helping 10,000 KDDI employees enhance their AI skills and improve their efficiency. In April 2024, we made ELYZA, Inc. into a consolidated subsidiary, which promotes the practical application of large language models (LLMs). The company will continue accelerating the practical application of generative AI by combining its top-class domestic LLM R&D capabilities with the Group's computational infrastructure, network resources, and other assets.

KDDI has announced "realizing carbon neutrality" as one of its material issues and is proactively undertaking initiatives aimed at achieving this goal.

Since April 2023, we have been promoting the renewable energy business, centered on solar power, at au Renewable Energy, Inc. The Group aims to achieve carbon neutrality by the end of fiscal 2030 and net zero emissions by the end of fiscal 2040. In addition, we will switch the sourcing of all of the power used at Telehouse brand data centers to renewable energy by the end of fiscal 2025. KDDI is vigorously promoting a shift to renewable energy and energy efficiency in mobile phone base stations and telecommunication equipment to achieve a renewable energy ratio of 50% by the end of fiscal 2030 on a non-consolidated basis.

To continue sustainably growing amid a rapidly changing business environment, we need to promote innovation and transform into a company that puts human resources first, encouraging advanced autonomy and growth among employees and organizations. To promote innovation, we have accelerated initiatives based on these satellite growth strategies for business creation, R&D, Web3/AI, and advanced security technologies in addition to enhancing capital investment and R&D for 5G and Beyond 5G. In addition, we have further deepened our partnerships, including collaborations with start-ups. We have also kept collaborating with competitors, for example, sharing 5G equipment with SoftBank Corp. and promoting a global standard for optic network technologies alongside Nippon Telegraph and Telephone Corporation. Furthermore, regarding our transformation into a company that puts human resources first, we promote this across three pillars, namely: engraining the new personnel system, developing professional human resources through the KDDI Version Job Style Personnel System, and enhancing employee engagement. We have also shifted crucial members to focus areas by training professional human resources and enhance the DX skills of all employees by utilizing KDDI DX University.

Moreover, in May 2024 KDDI updated its business strategy, naming it the New Satellite Growth Strategy and extending the medium-term management strategy period for one more year amid drastic changes in outcomes and in light of forecasts regarding the business environment and business conditions, such as the currently unstable global situation and diversifying customer needs.

We will also continue working to strengthen our risk management and information security systems and promote unified group management through the synergistic effect of the KDDI Philosophy, which serves as a common policy and code of conduct for both management and employees, and a corporate governance system that respects human rights and ensures transparency and fairness.

*1. We plan to provide the service based on the establishment of laws and regulations related to frequency band allocation and use.

Financial Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating revenue	5,671,762	5,754,047	82,285	1.5
Cost of sales	3,260,030	3,323,514	63,483	1.9
Gross profit	2,411,731	2,430,533	18,802	0.8
Selling, general and administrative expenses	1,408,391	1,503,680	95,290	6.8
Other income and expense (Net)	67,840	24,786	(43,053)	(63.5)
Share of profit (loss) of investments accounted for using the equity method	6,213	9,945	3,732	60.1
Operating income	1,077,393	961,584	(115,809)	(10.7)
Finance income and cost (Net)	1,517	11,652	10,135	668.1
Other non-operating profit and loss (Net)	612	19,490	18,877	-
Profit for the period before income tax	1,079,523	992,725	(86,797)	(8.0)
Income tax	339,484	336,621	(2,863)	(0.8)
Profit for the period	740,039	656,104	(83,934)	(11.3)
Attributable to owners of the parent	679,113	637,874	(41,239)	(6.1)
Attributable to non-controlling interests	60,926	18,230	(42,695)	(70.1)

Note: As the fluctuations in other non-operating profit and loss are over 1000%, they are indicated as " - ".

In the fiscal year ended March 31, 2024, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, we have disclosed segment information for the fiscal year ended March 31, 2023 based on the revised segment classification.

In addition, we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024. As a result, for the fiscal year ended March 31, 2023 and as of March 31, 2023, we disclose the figures after applying the accounting standard retrospectively.

During the fiscal year ended March 31, 2024, operating revenue increased by 1.5% year on year to ¥5,754,047 million mainly due to an increase in revenue from growth in the NEXT Core Business, which comprises corporate DX, business DX, and business base services despite a decrease in revenue in the energy business and in mobile telecommunication fees including roaming fees in the fiscal year ended March 31, 2023.

Operating income decreased by 10.7% year on year to ¥961,584 million mainly due to a loss allowance for a portion of the lease receivables from KDDI Summit Global Myanmar Co., Ltd. (KSGM), impairment losses/removable allowance for telecommunications equipment with low utilization rates, and a decrease in mobile telecommunication fees including roaming fees, despite an increase in revenue from growth in the NEXT Core Business.

Profit for the period attributable to owners of the parent decreased by 6.1% year on year to ¥637,874 million.

b. Results by Business Segment

Personal Services

Personal Services

The Personal Services segment provides services to individual customers.

In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo,” and are also working with local partners to eliminate the digital divide and achieve regional co-creation.

Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

Highlights

- We provide pricing plans that are 5G-ready and meet the needs of every customer through three brands that are based on distinct brand slogans. We are promoting measures that leverage the unique characteristics of each brand in our multi-brand strategy that encompasses “au” with “toward an interesting future,” “UQ mobile” with “simple for everyone,” and “povo” with “to the freedom that’s right for you together.”

In September 2023, au launched the “au Money Activity Plan,” the industry’s first smartphone pricing plan that provides extra benefits when using financing services.*1 In addition, since November of last year, given an increase in financial awareness among all generations, including younger ones, au Money Seminars which are securities support seminars that make it easy for customers to learn about investments have been held nationwide at au Style*2 and online. These seminars support money management activities in which customers accumulate monetary and other assets such as points through savings and investments. Furthermore, since March 2024, we have been working hard to further enhance customer experiences, such as by being the first in major domestic company*3 to use generative AI to respond to some inquiries with chatbots provided by au. We will continue to aim to enable customers to swiftly resolve inquiries in a stress-free way.

Through UQ mobile, from June 2023, we began providing three new plans: the “Komi Komi Plan,” the “Toku Toku Plan,” and the “Mini Mini Plan.” “Komi Komi Plan” and “Toku Toku Plan” in particular have received great praise, with the number of customers under contract surpassing expectations. We also launched the “UQ Parent Support Discount” in December of last year. This program grants an increase in monthly data capacity to customers who are up to 18 years of age alongside a one-year discount on the monthly charge of the “Komi-Komi Plan” for customers who are up to 18 years of age and their family members.*4

Through povo, in addition to our usual lineup of toppings that customers can choose from to fit their usage style, we have been expanding future development through such various topping items as doughnuts and taxi vouchers.

In March 2024, we began offering the “povo2.0 data-only” pricing plan that only allows use of data service. Compared with conventional plans that include voice calling, the contract process is much more streamlined, and service can be used in as little as three minutes.*5 Even if a customer runs out of data on their main line while away from home, such as while taking a vacation, going to a special event, or on a business trip, they can set up a contract and purchase extra data to immediately begin using data service. In February 2024, at the MWC Barcelona 2024 exhibition held in Barcelona, Spain, we introduced the idea of incorporating povo’s software development kit into the services of external contractors as we aim to expand the povo business model, which was launched in Japan, to the rest of the world going forward.

In January 2024, we spun off the cable TV-related businesses to JCOM Co., Ltd. We aim to enhance regionally focused customer services and contribute to the co-creation of local communities and the further development of the cable TV industry.

- With regard to the au Ponta Point program, we have continued offering coupons on a monthly basis that can be used with au Pay for au Smart Pass Premium customers, and in August 2023, we replaced the awards offered on Santaro Day (the 3rd, 13th, and 23rd of each month) with even better deals. In addition, as an initiative for the “au Economic Zone,” we opened the online-only au Pharmacy in July 2023.
- The financial business remained steady as the number of au PAY card members exceeded 9.44 million in March 2024. JCOM Co., Ltd. (J:COM), from September 2023, and Chubu Telecommunications Co., Inc. (ctc), from November 2023, au Jibun bank began offering a preferential interest rate service that lowers the interest rate of home loans when customers use the services of J:COM and ctc as a set. In March 2024, au Jibun Bank originated mortgage loans in excess of 4.0 trillion yen, recording the fastest rate of expansion among Internet-specialized banks.*6

In addition, au Financial Partner Corporation provides au Money Plan Consultations, where customers can receive

consultations on a broad range of topics about money, from how to save money to how to build assets. Due to the government's policy of shifting the public's focus from savings to investment and customers' rising interest in household finances and asset formation with the newly launched NISA, the cumulative number of consultation applications surpassed 100,000 in February 2024. au Financial Service Corporation acquired the highest rank of three stars for all five of its customer centers at the 2023 HDI Rating Benchmark (credit rating survey) event held by HDI-Japan in March 2024. Going forward, through the au Financial Group's full lineup of financial services, we will realize connective finances that make finances more personal for all people.

- In the energy business, in April 2023, au Energy Holdings Corporation and au Renewable Energy Corporation formed a capital and business alliance with Kyocera Corporation to enhance the promotion of the renewable energy power generation business. In June 2023, KDDI and au Renewable Energy Corporation concluded an alliance agreement with Gunma Prefecture aimed at realizing an independent, decentralized society through green transformation (GX). In December 2023, au Renewable Energy Corporation began the commercial operation of a solar power plant in Kumagaya City, Saitama Prefecture. Base stations for au serving the Kanto region are powered by the energy produced at the power plant, and we will keep building solar power plants to power our facilities, in order to expedite our efforts toward carbon neutrality.
- In Mongolia, our consolidated subsidiary MobiCom Corporation LLC began pilot testing of the country's first*7 traffic simulation and analysis services in February 2024 in collaboration with GEOTRA Co., Ltd. By helping to solve traffic and other social issues in Mongolia, the company will continue helping to enhance the nation's economic development and people's lives as the country's No. 1 telecommunications operator.
In Myanmar,*8 we are continuing our activities that resonate with the people, for instance, the company provided free phone calls and data bonuses to victims of the massive flood that hit the country's central Bago region last October. We have been striving to maintain our telecommunications services, which are indispensable to people's lives, while prioritizing the safety of our associated personnel as we continue to carefully monitor the local situation.

*1. As of August, 2023. MMD labo. Compared with four carriers and 20 major MVNO brands (over the past 10 years), regarding the service characteristics of increasing the checking usage rate of banks and the point rewards rate of investment trusts for securities when signing up for the pricing plan.

*2. Except for au Style NAHA, which is directly managed by Okinawa Seller, and the au Styles in the Okinawa area.

*3. As of February 29, 2024. First used in the field of customer support to respond to customer inquiries regarding procedures and how to use products and services. KDDI conducted its own research of 225 Nikkei companies regarding whether they offer chat bots for customers and whether they have generative AI.

*4. Customers under the age of eighteen (18) and their family members who are members of the same "Home Set Discount" group or "Family Set Discount" group are eligible for this service. Details, including criteria for subscription, are provided on each service page.

Home Set Discount: <https://www.uqwimax.jp/mobile/newplan/setwari/jitaku/> (Japanese only)

Family Set Discount: <https://www.uqwimax.jp/mobile/newplan/kazoku/> (Japanese only)

*5. The time it took until the use of service began by KDDI's own measurement. The time may vary depending on the customer's situation.

*6. As of March 12, 2024, according to au Jibun Bank. Net banks include SBI Sumishin Net Bank, Sony Bank, PayPay Bank, Daiwa Next Bank, Rakuten Bank, GMO Aozora Net Bank, and Minna-no Ginko.

*7. According to GEOTRA's research as of January 2024

*8. KDDI Summit Global Myanmar Co., Ltd., a consolidated subsidiary, supports the telecommunications business operations of Myanma Posts & Telecommunications (MPT).

Operating performance in the Personal Services segment for the fiscal year ended March 31, 2024 is described below

Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	4,820,612	4,747,221	(73,392)	(1.5)
Operating Income	878,963	740,360	(138,603)	(15.8)

During the fiscal year ended March 31, 2024, operating revenue decreased by 1.5% year on year to ¥4,747,221 million mainly due to a decrease in revenue in energy business and in mobile telecommunication fees including roaming fees in the fiscal year ended March 31, 2023.

Operating income decreased by 15.8% year on year to ¥740,360 million mainly due to a loss allowance for some of the lease receivables from KDDI Summit Global Myanmar Co., Ltd. (KSGM) and impairment losses/removable allowance for telecommunications equipment with low utilization rates, and a decrease in mobile telecommunication fee including roaming fee, despite of growth in the NEXT Core Business.

Business Service

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and Telehouse brand data center services. We continue to provide global one-stop solutions that contribute to the development and expansion of our customers' businesses through IoT and DX centered on 5G communications in collaboration with our partners.

For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

Highlights

- To enhance DX support for companies using data, KDDI made FLYWHEEL, Inc. a consolidated subsidiary, which is a startup specializing in data engineering, in April 2023. We aim to accelerate inter-company data alliances and the DX promotion for companies using data, solve social issues, support the enhancement of customer experience value, and transform industrial structures. In September 2023, KDDI Evolva, Inc., which is a consolidated subsidiary of KDDI, and Relia, Inc., which is a method-equity affiliate of Mitsui & Co., Ltd., conducted a business combination, launching Altius Link, Inc. In the contact center industry, we will continue contributing to the growth of our customer centered companies through the digital BPO*1 business we operate in Japan and overseas by making the services more sophisticated, such as digitizing customer engagement using generative AI.
- KDDI is proactively implementing initiatives to create a new future through business support and investment in domestic and overseas startups. In March 2024, SORACOM, which is a startup that joined the Group in August 2017, was newly listed on the Tokyo Stock Exchange's Growth Market through a swing-by IPO.*2 SORACOM has aimed to create a global platform to realize a connected society since its founding and provides telecommunication services surpassing 6 million connections*3 to over 20,000 customers around the world in various industries, including energy, manufacturing, finance, consumer products, healthcare, and agriculture. This listing will accelerate further business growth and global expansion. In addition, in April 2024, KDDI invested in ELYZA, Inc., which is promoting the practical application of LLMs. KDDI will continue aiming to create new businesses through this partnership with startups.
- KDDI's total cumulative IoT connections surpassed 41.9 million lines in March 2024, owning the top share in Japan. Leveraging its strengths of a solid operational track record over about 20 years and a conservation management system, the Company is significantly expanding in the field of social infrastructure (connected cars, smart meters for electric power and gas, etc.) and globally. Over the medium term, KDDI is helping realize sustainable industries and infrastructure environments

as it aims to achieve 54 million lines in fiscal 2025. At the same time, KDDI provides service globally in connected cars, which are driving the expansion of connected businesses. With an eye on the further expansion of connected businesses, including the provision of telecommunication services for connected cars to overseas auto manufacturers, various non-vehicular products, and platforms for a wide range of industries, KDDI established KDDI Spherience, LLC in November 2023 as a new company specializing in connected business in North America. Going forward, to create new added value, we will provide connected services to various industries and support the acceleration of corporate customer DX.

- To meet the robust demand for connected data centers in countries around the world, we opened Telehouse Bangkok in May 2023, the fourth expansion building at the Telehouse Paris Magny Campus in France and the fifth building at the Telehouse Frankfurt Campus in Germany both in October of last year. In addition, we concluded a transfer agreement for a data center business with the Canada-based Allied Properties REIT in June 2023, and operations began in April 2024 as Telehouse Canada. Our data centers in Europe and Thailand are powered entirely by renewable energy. Over more than 30 years, we have operated the data center business under the Telehouse brand in more than 10 countries. Going forward, we will promote and expand the business globally while being considerate of the environment in each region, and aim to be “the most interconnected and high-quality connectivity data center” and will continue to support the global business of its corporate customers.
- KDDI exhibited for the first time at the world’s largest mobile-related exhibition MWC Barcelona 2024, which was held in Barcelona, Spain in February 2024. The exhibition theme was “Life Transformation: Enhancing the power to connect,” which is about transforming daily lives by evolving the power to connect. As a platform for society that creates a future beyond a connected world, we introduced the world to its efforts in mobility, digital twins, AI, satellite communications, and data centers as well as the experience value they provide to people. We will work harder to solve social issues on a global scale and aim to develop a broad range of businesses while collaborating with partners operating overseas.

Going forward, we will continue to expand our business with the aim of being customers’ true first choice of business partner and helping develop and expand the business of corporate customers.

- *1. BPO method that does not just outsource operations with human resources but also outsources some operations utilizing AI and other digital technology to make operations more efficient.
- *2. “Swing-by” is a term in space exploration that describes the maneuver where a spacecraft utilizes the gravity of a planet to accelerate.
- *3. Total number of SORACOM Air connections including those provided by international entities, SORACOM Air for Cellular, Sigfox, and LoRaWAN.

Operating performance in the Business Services segment for the fiscal year ended March 31, 2024, is described below.

Results

For the year ended March 31, 2024

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)	Increase (Decrease)%
Operating Revenue	1,132,180	1,264,739	132,558	11.7
Operating Income	191,502	211,912	20,409	10.7

During the fiscal year ended March 31, 2024, operating revenue increased by 11.7% year on year to ¥1,264,739 million mainly due to an increase in revenue from growth in the NEXT Core Business, which comprises corporate DX, business DX, and business base services.

Operating income increased by 10.7% year on year to ¥211,912 million mainly due to an increase in operating revenue.

c. Overview of Consolidated Financial Position

(Amount unit: Millions of yen)

	As of March 31, 2023	As of March 31, 2024	Increase (Decrease)
Total assets	11,923,522	14,146,060	2,222,538
Total liabilities	6,252,863	8,348,833	2,095,970
Total equity	5,670,659	5,797,226	126,568
Equity attributable to owners of the parent	5,128,288	5,253,362	125,074
Ratio of equity attributable to owners of the parent to total assets	% 43.0	% 37.1	% (5.9)
Equity attributable to owners of the parent per share	Yen 2,377.38	Yen 2,522.92	Yen 145.54
Interest-bearing debt	1,651,437	2,394,403	742,966

(Assets)

Total assets increased by ¥2,222,538 million year on year to ¥14,146,060 million as of March 31, 2024 mainly due to an increase in loans for financial business and cash and cash equivalents despite a decrease in retirement benefit assets.

(Liabilities)

Total liabilities increased by ¥2,095,970 million year on year to ¥8,348,833 million as of March 31, 2024 mainly due to an increase in deposits for financial business and borrowings and bonds payable despite a decrease in other non-current liabilities.

(Equity)

Total equity amounted to ¥5,797,226 million mainly due to an increase in equity attributable to owners of the parent from the previous fiscal year-end. As a result, ratio of equity attributable to owners of the parent to total assets decreased from 43.0% as of March 31, 2023 to 37.1% as of March 31, 2024.

ii. Overview of Consolidated Cash Flows

(Amount unit: Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024	Increase (Decrease)
Net cash provided by (used in) operating activities	1,078,869	1,706,498	627,629
Net cash provided by (used in) investing activities	(732,480)	(832,433)	(99,953)
Free cash flows (Note)	346,389	874,065	527,676
Net cash provided by (used in) financing activities	(669,837)	(476,477)	193,360
Effect of exchange rate changes on cash and cash equivalents	7,087	9,367	2,281
Net increase (decrease) in cash and cash equivalents	(316,361)	406,955	723,316
Cash and cash equivalents at the beginning of the period	796,613	480,252	(316,361)
Cash and cash equivalents at the end of the period	480,252	887,207	406,955

Note: Free cash flows are calculated as the sum of “net cash provided by (used in) operating activities” and “net cash provided by (used in) investing activities.”

Net cash provided by operating activities increased by ¥627,629 million year on year to ¥1,706,498 million mainly due to a significant increase in deposits for financial business, despite a significant increase in loans for financial business and trade and other receivables, including installment receivables.

Net cash used in investing activities increased by ¥99,953 million year on year to ¥832,433 million mainly due to an increase in expenditures for fixed assets, including a purchase of data center in Canada.

Net cash used in financing activities decreased by ¥193,360 million year on year to ¥476,477 million mainly due to an increase in proceeds from issuance of bonds and long-term borrowings.

Reflecting these factors and an increase of ¥9,367 million in the effect of exchange rate changes on cash and cash equivalents, the total amount of cash and cash equivalents as of March 31, 2024, increased by ¥406,955 million from March 31, 2023 to ¥887,207 million.

iii. Business performance

Business performance by segment for the fiscal year under review was as follows:

Segment	Amounts (Million of yen)	Year-on-year basis (%)
Personal	4,747,221	(1.5)
Business	1,264,739	11.7
Others	141,794	2.2
Intersegment sales	(399,706)	-
Total	5,754,047	1.5

(Note) Shows total of operating revenue from external customers and internal inter-segment operating revenue.

(2) Management's analysis and discussion of business performance

Below is management's analysis and discussion of business performance for the Group.

Forward-looking statements are based on available information as of the end of the fiscal year under review.

i . Key accounting estimates and assumptions behind these estimates

The Group's consolidated financial statements have been prepared in accordance with international accounting standards and Article 93 of Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements. As deemed necessary, estimates based on logical standards were used in the preparation of these consolidated financial statements.

Significant accounting policies used in the Group's consolidated financial statements are listed in No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 3. Material accounting policies.

Accounting estimates and assumptions used in these estimates are shown in No. 5 Status of accounting, 1. Consolidated financial statements and notes to consolidated financial statements 2. Basic preparation (4) Use of estimates and judgements.

ii . Recognition, analysis and discussion of business performance during the fiscal year under review

a. Analysis of business performance

(Operating revenue)

Compared with the previous fiscal year, operating revenue increased 1.5% to ¥5,754,047 million, owing to an increase in revenue from growth in the NEXT core business, which consists of Corporate DX, Business DX and Business Infrastructure Services, despite a decrease in energy business revenues and mobile communications revenues (including roaming revenues). For details, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 25. Operating revenue.

(Cost of sales, SG&A expenses)

Costs increased 3.4% to ¥4,827,194 million compared with the previous fiscal year, reflecting the provisioning of reserves for lease receivables related to the Myanmar telecommunications business. For details, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 26. Breakdown of costs.

(Other income and other expenses)

Net other income was ¥24,786 million, a year-on-year decrease of 63.5%, owing to the recording of ¥16,417 million in subsidy income and other factors. For details, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 27. Other income and other expenses.

(Share of profit (loss) of investments accounted for using the equity method)

Share of profit of investments accounted for using the equity method rose 60.1% to ¥9,945 million, owing to an increase in gains on investments in equity-method affiliate au Kabucom Securities Co., Ltd.

(Operating income)

As a result of the above, operating income decreased 10.7% to ¥961,584 million. The operating margin was 16.7%, a worsening of 2.3 percentage points.

(Finance income and finance cost)

Net financial income was ¥11,652 million, a year-on-year increase of 668.1%, reflecting the recording of ¥12,547 million in gains on foreign exchange rate differences, ¥4,694 million in dividends received and ¥8,813 million in interest expenses. For details, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 28. Finance income and finance cost.

(Other non-operating profit and loss)

Other non-operating profit was ¥19,490 million, with the recording of ¥9,946 million in gains on changes in interests in subsidiaries and other factors. For details, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 29. Other non-operating profit and loss.

(Income tax)

Income tax totaled ¥336,621 million, down 0.8% year on year, reflecting the impact of an increase in deductible temporary differences. In FY24.3, the income tax rate was 33.9%. For details about corporate tax costs, refer to No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 16. Deferred tax and income taxes.

(Net income for the year attributable to non-controlling interests)

Net income for the year attributable to non-controlling interests decreased 70.1% to ¥18,230 million, owing to a decline in profit at KDDI Summit Global Myanmar Co., Ltd. from the provisioning of reserves for lease receivables in the Myanmar telecommunications business.

(Net income for the year attributable to owners of the parent)

As a result of the aforementioned, net income for the year attributable to owners of the parent declined 6.1% to ¥637,874 million.

Refer to (1) Summary of business performance for a summary of revenue and operating income by reportable segment.

b. Analysis and discussion of cash flow and information regarding financial sources of capital and liquidity of funds

Refer to (1) Summary of business performance for an analysis of cash flows during the fiscal year under review.

The Group procures capital from borrowings and allocates its own capital for working capital and capital investments. For capital procured through borrowings, short-term borrowings are used for regular working capital, while long-term capital for capital investments is mainly procured through fixed-rate long-term borrowings and bonds payable. In the financial business, receivables are securitized with the aim of procuring funds and reducing risk assets.

As of the end of the fiscal year under review, the balance of interest-bearing debt, including borrowings, was ¥2,394,403 million and the balance of cash and cash equivalents stood at ¥887,207 million.

Liquidity risk and methods for managing liquidity risk are explained in No. 5 Status of accounting 1. Consolidated financial statements and notes to consolidated financial statements 32. Financial instruments.

c. Achievement of management's financial targets

In May 2024, KDDI updated its business strategy, New Satellite Growth Strategy, while extending by one year its Mid-Term Management Strategy (FY2022-25) amid rapid changes in the business environment, including instability around the world and diversification of customer needs.

For its financial targets, KDDI aims for sustained growth in operating income, an increase in EPS of 1.5 times the fiscal 2018 level by fiscal 2025. Its shareholder return policy calls for a stable dividend and consolidated dividend payout ratio of at least 40%.

During the fiscal year under review, full-year profit decreased on account of provisions that were made for lease receivables in the Myanmar telecommunications business, and the impact of reserves for impairment losses and disposals of communications equipment with low operating rates. However, a dividend payout ratio of over 40% was achieved thanks to steady growth in earnings elsewhere.

The Group aims for sustainable growth while refining its approach to sustainability management under its mid-term management strategy.

5 Significant Business Contracts

Data centers in Canada

On June 21, 2023, KDDI's Board of Directors approved the acquisition of land, buildings, facilities, and other assets in Canada from Allied Properties REIT (Headquarters: Toronto, Canada, President and CEO: Cecilia Williams). The contract was signed on the same day (hereinafter referred to as "the Contract"). Subsequently, on June 26, 2023, KDDI established KDDI Canada, Inc. as a new subsidiary to operate the data center business in Canada.

KDDI promotes Sustainability Management while aiming for a virtuous cycle of enhancing corporate value and fostering sustainable growth in society, supported by its business strategy, Satellite Growth Strategy. The data center business is a key component of DX, one of its focus areas. KDDI is advancing its strategy for connectivity data centers, which serve as hubs for content providers, cloud service providers, and telecommunications operators to interconnect and create new value together. KDDI has established Telehouse London, the world leader in terms of connectivity*, and Telehouse Paris, the top connectivity data center in France (see note), in addition to expanding into Southeast Asia with a new data center in Bangkok, Thailand in May 2023. With the Contract, KDDI has acquired the top connectivity data center in Canada,* strengthening its data center business in North America and promoting global business expansion.

Background and purpose

Demand for data centers is increasing globally due to the acceleration of data-driven business. With the proliferation of IoT and 5G, traffic generated by users of apps and content on mobile devices is growing. Consequently, connectivity data centers are becoming increasingly important for realizing a digital society as places where content providers, internet service providers, and hyperscalers can interconnect and create value together within data centers.

As a social platformer, KDDI intends to accelerate business centered on high-quality connectivity data centers that facilitate interconnections and contribute to the global business expansion of its corporate customers and prosperity in the digital world.

* Connectivity refers to the number of interconnections between data center customers. As of June 21, 2023.

Tender Offer for Shares of Lawson, Inc. and Capital and Business Alliance Agreement

On February 6, 2024, KDDI's Board of Directors (via written resolution) approved a basic agreement with Mitsubishi Corporation (hereinafter "Mitsubishi") to acquire shares of Lawson, Inc. (hereinafter "Lawson") through a public tender offer based on the Financial Instruments and Exchange Act. The Board also approved a shareholder agreement for the joint operation of the Lawson Group, as well as a capital and business alliance agreement with Mitsubishi and Lawson. The agreements were signed on the same day.

Following this agreement, KDDI and Mitsubishi will each hold 50% of the voting rights in Lawson, and both companies will work together as joint management partners to enhance Lawson's corporate value.

Background of the Capital and Business Alliance Agreement

(1) Business environment

Faced with the likelihood of population decline, a falling birthrate and aging population in Japan, convenience store operators with brick-and-mortar stores nationwide are being increasingly recognized for their role as regional infrastructure. Leveraging digital technology is essential to compensate for labor shortages amid a declining working-age population and regional disparities in consumer value. Additionally, with growing societal demand for green initiatives, we anticipate significant changes in consumer awareness and external business environments.

In recent years in the retail sector, companies have been expanding beyond single businesses, operating cross-industry businesses and services to build out ecozones. To remain the preferred choice for customers, it is crucial to provide new consumer value in terms of convenience and cost effectiveness in tune with customer preferences.

(2) Aim of capital and business alliance agreement

The convenience store sector is an essential part of social infrastructure, stably supplying food and daily necessities. In response to the diversification of customer lifestyles, spending patterns and values during the COVID-19 pandemic, Lawson has adapted to this new normal by enhancing in-store kitchens, frozen foods, and delivery services.

To further adapt to the rapidly changing business environment, KDDI and Lawson have agreed to enter a capital and business alliance for the purpose of strengthening cooperation, with KDDI leveraging its customer contact points and various digital services rooted in its telecommunications business.

KDDI is expanding beyond its core mobile phone business into banking, insurance, travel, and delivery services. Additionally, it offers au Smart Pass Premium, one of Japan's largest subscription services with over 13 million members.

Lawson operates approximately 14,600 convenience stores nationwide, including Lawson, Lawson Store 100, and Natural Lawson. It also operates the Seijo Ishii supermarket business and Lawson Entertainment, which handles ticket sales, movie theater operations, and travel services, as well as Lawson Bank, which offers financial services through ATMs.

By combining the customer bases and services of Lawson's and KDDI's characteristically distinct and top domestic economic zones, the alliance aims to expand the store network through mutual utilization of stores, enhance services in Lawson convenience stores, such as telecommunications, finance, and healthcare, and expand the points-based economic zone. This includes developing services that fuse together reality and digital services, and promoting initiatives to lighten the burden on the environment towards Lawson's long-term goal of realizing a carbon-free society.

6 R&D activity

In May 2024, the Group unveiled the New Satellite Growth Strategy. This strategy focuses on core areas such as 5G communications, data-driven initiatives, and generative AI, while also aiming to expand into multiple business domains as satellites around these cores. KDDI defines mobility, space and healthcare as business domains that will lead to life transformation (LX) and change customer lifestyles for the better. We are advancing R&D into the technologies that are needed in these core and LX domains. During the fiscal year under review, our total R&D expenditures were ¥27,721 million as a part of these activities. The Group's R&D activities are commonly shared across segments and are not broken down by each segment.

Below are the key research and development activities in the core and LX domains.

1. Core domains (5G communications, data-driven, generative AI)

The Group continues to conduct R&D on Beyond 5G/6G, the next generation of 5G communications. Key examples include the following.

- KDDI is concentrating R&D on all-optical network infrastructure for the Beyond 5G/6G era, and advances in optical fiber are important in this regard. In collaboration with Sumitomo Electric Industries, Ltd., Furukawa Electric Co., Ltd., and OFS Laboratories, LLC, KDDI successfully demonstrated in October 2023 ultra-wideband transmission with a bandwidth of 115.2 terahertz, approximately 24 times wider than the conventional C-band. This was achieved using 12-core uncoupled optical fibers, which densely pack together 12 independent cores in standard-diameter optical fiber, and a broad O-band (*1) optical fiber amplifier.
- KDDI is advancing R&D with the aim of achieving transmission speeds in excess of 100 gigabits per second for Beyond 5G/6G. Quantum computing is expected to flourish during the Beyond 5G/6G era. Quantum-resistant cryptography is likely to be needed with processing performance on a par with or better than required transmission speeds. In September 2023, KDDI and the University of Hyogo co-developed the ultra-fast symmetric-key encryption algorithm Rocca-S. This encryption algorithm, with a 256-bit key length, ensures security and achieves processing speeds of 2 terabits per second, far exceeding the communication speed requirements for Beyond 5G/6G.
- In May 2023, KDDI created a cell-free (*2) area that expands on traditional methods, and successfully demonstrated a prototype with the ability to reliably and continuously provide communications services by to customers, regardless of the terminal's location or movement within the coverage area, by having base stations coordinate with each other to maintain communications speed.
- Approximately 98% of KDDI's electricity bill is for the electricity used in mobile phone base stations, making energy conservation a priority. From February 2024, KDDI began the first domestic trial using flexible perovskite solar cells to power base stations. Wrapping these solar cells around the poles of base stations enables solar power generation even in space-constrained locations, promoting the use of renewable energy. We aim to help prevent global warming by reducing the environmental impact of telecommunications infrastructure by expanding sustainable base stations with net zero CO₂ emissions.

Additionally, KDDI is making strides in data-driven and generative AI fields, and described below.

- In March 2024, KDDI announced it will turn ELYZA, Inc., a leader in large language model R&D, into a consolidated subsidiary. Combining ELYZA's top-class R&D capabilities in Japan for large language models with KDDI's computational infrastructure, network resources and other assets will accelerate R&D and social uptake of generative AI.
- In July 2023, a solution was discovered for catastrophic forgetting (*3), a problem in traditional deep learning models after long periods of use, achieving a breakthrough in performance. KDDI, in collaborative research with the University of Illinois at Chicago, submitted this solution in a paper called "Parameter-Level Soft-Masking for Continual Learning," which was featured at the 2023 International Conference on Machine Learning (ICML 2023), a prestigious AI conference. Based on this research, KDDI will work to establish "growable AI" technology that allows AI to adapt on its own to changes in conditions and grow.

*1. O-band and C-band: Wavelength bands used in optical fiber communication, with O-band spanning 1260–1360 nm and C-band spanning 1530–1565 nm.

*2. Cell-free system: A communication method where terminals do not rely on specific base stations or cells.

*3. Catastrophic forgetting: A phenomenon where learning new information causes a model to forget previously learned information.

2. LX domain (mobility, aerospace, healthcare, sports and entertainment)

The Group is advancing R&D in technologies needed to expand business domains that it has defined as belonging to LX. Below are some examples of this R&D.

- In the mobility domain, KDDI is keen to help solve social issues in various fields through digitalization and automation using cutting-edge technologies. In February 2024, we held a briefing about initiatives for a connected mobility society. Collaborating with Toyota Motor Corporation to promote a safe and secure mobility society, we presented a solution that uses AI to analyze big data on people and vehicle movement open data about past accident and other information to visualize danger spots (danger spot scoring).

In March 2024, we successfully used an amphibious drone to remotely inspect bridges underwater. This was achieved with an acoustic positioning system that enables the acquisition of precise location data, allowing for reliable operation in underwater environments where GPS cannot reach. With just one tablet and a few personnel, the system enables efficient inspections by providing real-time aerial, surface, and underwater camera feeds and data.

- In the space domain, KDDI is exploring the expansion of mobile communications between low-earth orbit (LEO) and geostationary orbit (GEO) satellites, and even further to the lunar surface. In October 2023, KDDI and Kyoto University successfully demonstrated an optical communication method using photonic crystal lasers (*4) for low-earth orbit (LEO) to geostationary orbit (GEO) satellite communication. This made it possible to communicate over distances equivalent to LEO-GEO satellite links (approximately 36,000 km).

In the Artemis Program (*5), lunar surface exploration will ideally need the construction of a high-speed, high-capacity communications environment. KDDI, in collaboration with GITAI USA Inc., successfully used robots to autonomously install base station antennas in December 2023, and knowledge gained from this experiment will lay the groundwork for exploration on the lunar surface.

- In the healthcare domain, KDDI is working to solve social issues that have increased in modern society, such as addiction to smartphones, the internet and games. In October 2023, KDDI and Tokyo Medical and Dental University established the Cyber Psychiatry Course. Through this course, participants gain knowledge to identify and address smartphone and internet addiction and gaming disorders, and it explores diagnostic and therapeutic support systems (programmed medical devices), helping to promote health in society.

- In the sports and entertainment domain, KDDI aims to make content more compelling by utilizing digital twin technology, which recreates a digital duplicate in real time of actual physical objects in the world. In October 2023, KDDI developed technology that allows real-time viewing on smartphones of high-quality, dynamic 3D mesh data that has been compressed for transmission on mobile lines. This technology that enables real-time viewing on smartphones expands the potential for new content and services.

We also developed small and thin haptic display technology that gives tactile feedback, and, in October 2023 unveiled a table tennis racket-shaped haptic device that showcases this technology. This device analyzes the position and posture of a player and the status of the device in real time using cameras, and offers assistance by guiding the player's arm movements in the right direction. It intuitively conveys subtle adjustments to the force and timing of actions that is hard to explain in words. In addition to intuitively sharing information in sports games, it also supports the elderly and disabled in daily activities, enhancing human motion and capabilities.

*4. Photonic crystal laser: This is a semiconductor laser with a 2-dimension photonic crystal, which has an artificial optical nanostructure called a photonic crystal arranged on a plane. Compared to normal semiconductor lasers, it has a larger surface area and single-mode oscillation, so it can produce a high-output beam with a narrow divergence angle.

*5. Artemis Program: This program is an international space exploration initiative led by the U.S. with the objective of landing humans on the moon and eventually Mars. Japan participates in the Artemis Program.

III. Information about Facilities

1. Outline of capital expenditure

The Group efficiently made capital expenditures in order to provide satisfactory services to customers and enhance reliability and communication quality. As a result, capital expenditures (including spending on software) totaled ¥749,297 million for telecommunications equipment and other assets in the fiscal year under review, including the acquisition of property, plant, and equipment for the data center business in Canada.

Note that capital expenditures do not include investments in telecommunications equipment shared with other operators (amounts spent by other operators).

The main capital expenditures were as follows.

The majority of telecommunications equipment, which is the primary asset of the Group, is used commonly across all segments. A breakdown of capital expenditures by segment is therefore not provided. The amounts listed below do not include consumption tax.

Mobile Telecommunications Equipment

To expand 4G and 5G service areas and handle increasing data traffic, new and expanded wireless base stations and switching equipment were installed. Specifically, for 5G base stations, KDDI fully completed its plan to install 94,000 stations, achieving 93% area coverage.

Fixed-Line Communication Equipment

KDDI expanded its fixed-line communications network to address the increase in mobile communication data traffic. The Company also installed new and expanded equipment for FTTH, cable TV, and data centers.

2. Situation of Major Equipment

(1) Information about reporting company

Office name (Location)	Segment	Carrying amount (Millions of yen)												Number of employees	
		Machinery	Antenna facilities	Local line facilities	Long-distance line facilities	Engineering facilities	Submarine line facilities	Buildings	Structures	Land (Area m ²)	Right of using facilities	Software	Other		Total
Headquarters (Shinjuku, Tokyo) others	-	808,302	279,568	23,827	3,776	7,161	2,982	130,709	15,433	260,791 (4,306,978)	14,029	348,441	423,330	2,318,349	9,409

(2) Domestic subsidiaries

Office name (Location)	Segment	Carrying amount (Millions of yen)													Number of employees
		Machinery	Antenna facilities	Local line facilities	Long- distance line facilities	Engineering facilities	Submarine line facilities	Buildings	Structures	Land (Area m ²)	Right of using facilities	Software	Other	Total	
OKINAWA CELLULAR TELEPHONE COMPANY (Naha-shi, Okinawa) *	-	14,512	4,330	4,057	203	941	2,697	12,043	290	3,295 (53,331)	20	290	3,788	46,468	468
UQ Communications Inc. (Chiyoda-ku, Tokyo) (Notes) 4	-	65,546	17,148	119	-	-	-	1,177	36	-	3,394	6,174	20,518	114,113	-
JCOM Co., Ltd. (Chiyoda-ku, Tokyo) *	-	-	274	-	204,657	-	-	26,987	3,324	5,789 (66,775)	-	18,329	378,938	638,298	11,880
Chubu Telecommunications Co., Inc. (Naka-ku, Nagoya-shi, Aichi-ken)	-	19,670	-	48,572	6	1,389	-	5,709	15	4,715 (29,544)	2	3,803	7,545	91,426	872

*Amounts include figures for subsidiaries

(3) Overseas subsidiaries

Office name (Location)	Segment	Carrying amount (Millions of yen)													Number of employees
		Machinery	Antenna facilities	Local line facilities	Long-distance line facilities	Engineering facilities	Submarine line facilities	Buildings	Structures	Land (Area m ²)	Right of using facilities	Software	Other	Total	
TELEHOUSE Holdings Limited (London,U.K.)*	-	-	-	-	-	-	-	65,740	-	19,394 (111,790)	179	-	70,763	156,075	245
KDDI Canada, Inc. (Toronto, ON, Canada)	-	-	-	-	-	-	-	31,946	-	87,723 (5,129)	-	108	48,550	168,327	10

*Amounts include figures for subsidiaries

Notes:

1. Book value does not include amounts for construction in progress.
2. There are no major facilities currently out of operation.
3. In book value, "other" is mainly broken down as long-term prepaid expenses, right-of-use assets, and machinery and equipment.
4. The number of employees at UQ Communications Inc. is included in the employee count of the submitting company due to employee transfers.

3 Plans for acquisition and disposal of facilities

The Group's plans for capital investments (new installations and expansions) and removals for the next fiscal year are as follows:

(1) Key equipment installations

Segment name	Main details and purpose of equipment	Planned amount as of March 31, 2024 (Millions of yen)	Planned completion date
-	<ul style="list-style-type: none"> • Installations of new and expanded wireless base stations and switching equipment for improving communications quality and expanding service areas • Installations of new and expanded equipment for FTTH and cable TV • Installations of new and expanded transmission lines 	650,000	By the end of the fiscal year 2024

Note: For funds required for the future, the Company plans to cover this with its own funds and borrowings.

(2) Key equipment removals

There are no plans to remove key equipment.

IV. Information about Reporting Company

1 Information about shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

Class	Total Number of Authorized Shares
Common stock	4,200,000,000
Total	4,200,000,000

ii. Issued shares

Class	Number of issued shares (As of March 31, 2024) (Shares)	Number of issued shares (As of the filing date: June 20, 2024) (Shares)	Name of stock listing or the name of authorized financial instruments firms	Description
Common stock	2,302,712,308	2,191,846,416	Tokyo Stock Exchange Prime Market	Number of shares for share unit: 100 shares
Total	2,302,712,308	2,191,846,416	-	-

Notes: In accordance with the Board of Directors' resolution on May 10, 2024, the Company retired treasury stock on May 20, 2024.

(2) Stock acquisition rights

a. Details of the stock option system

Not applicable.

b. Details of the rights plan

Not applicable.

c. Other stock acquisition rights

Not applicable.

(3) Exercise of convertible bonds with new stock warrants and exercise price adjustment clause

Not applicable.

(4) Changes in number of shares outstanding and common stock, etc.

Date	Change in shares outstanding (Shares)	Remaining number of shares outstanding (Shares)	Change in common stock (Million yen)	Balance of common stock (Million yen)	Change in capital reserves (Million yen)	Balance of capital reserves (Million yen)
May 23, 2019 (Notes) 1	(176,630,845)	2,355,373,600	-	141,852	-	305,676
May 22, 2020 (Notes) 2	(51,194,050)	2,304,179,550	-	141,852	-	305,676
September 27, 2022 (Notes) 3	(1,467,242)	2,302,712,308	-	141,852	-	305,676

Notes:

- On May 23, 2019, the Company retired treasury stock, reducing the number of shares outstanding by 176,630,845 shares
- On May 22, 2020, the Company retired treasury stock, reducing the number of shares outstanding by 51,194,050 shares
- On September 27, 2022, the Company retired treasury stock, reducing the number of shares outstanding by 1,467,242 shares.
- On May 20, 2024, the Company retired treasury stock, reducing the number of shares outstanding by 110,865,892 shares.

(5) Shareholder composition

As of March31, 2024

Classification	Status of shares (Number of shares constituting one voting unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, Total etc.	Individuals			
Number of shareholders	1	255	66	2,367	1,147	1,076	549,027	553,939	-
Number of shares held (Units)	15	5,698,212	1,245,338	6,665,342	5,767,078	1,383	3,635,599	23,012,967	1,415,608
Percentage of voting shares (%)	0.00	24.76	5.41	28.96	25.06	0.01	15.80	100.00	-

Notes: 1. Treasury stock of 219,384,141 shares (excluding the Company's shares held in the executive compensation BIP trust) includes 2,193,841 shares in "individuals, etc." and 41 shares in "shares less than one unit."

2. In "Other corporations," 1,176 voting units under the name of the Japan Securities Depository Center, Inc. are included.

(6) Principal Shareholders

As of March 31, 2024

Name	Location	Total number of shares (shares)	Percentage of total number of shares issued (excluding treasury shares) (%)
KYOCERA Corporation	6 Takeda Tobadono-cho, Fushimi-ku, Kyoto City, Kyoto	335,096,000	16.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku	334,088,600	16.03
TOYOTA MOTOR CORPORATION	1 Toyota-cho, Toyota City, Aichi	253,094,600	12.14
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	144,545,100	6.93
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department))	1776 HERITAGE DRIVE,NORTH QUINCY, MA 02171, U.S.A. (Tower A SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	33,822,275	1.62
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	28,969,873	1.39
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: HSBC Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	22,193,078	1.06
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department))	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Tower A SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	21,562,519	1.03
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	20,148,850	0.96
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department))	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Tower A SHINAGAWA INTERCITY, 2-15-1, Konan, Minato-ku, Tokyo)	18,439,375	0.88
Total	-	1,211,960,270	58.17

Note: 1. Percentage of shareholdings to total shares outstanding (excluding treasury stock) is rounded down to the nearest hundredth place.

2. The report of large shareholders made available for public inspection as of October 21, 2021 states that Sumitomo Mitsui Trust Bank, Limited and its joint holders hold the following shares as of October 15, 2021. However, the Company is unable to confirm the number of shares held by them as of March 31, 2024. As such, they are not included in the above list of major shareholders. The contents of the report of large shareholders are as follows:

Name of Corporate Entity	Address	Number of shares, etc. held (shares)	Holding ratio of share certificates, etc. (%)
Sumitomo Mitsui Trust Asset Management Inc	1-1-1 Shiba-Koen, Minato-ku, Tokyo	61,291,500	2.66
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	59,679,400	2.59
Total	-	120,970,900	5.25

Note: 3. The report of large shareholders made available for public inspection as of December 20, 2021 states that Mitsubishi UFJ Financial Group, Inc., and its joint holders hold the following shares as of December 13, 2021. However, the Company is unable to confirm the number of shares held by them as of March 31, 2024. As such, they are not included in the above list

of major shareholders. The contents of the report of large shareholders are as follows:

Name of Corporate Entity	Address	Number of shares, etc. held (shares)	Holding ratio of share certificates, etc. (%)
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	4,252,800	0.18
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	58,610,200	2.54
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1 Yurakucho, Chiyoda-ku, Tokyo	27,901,200	1.21
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2, Otemachi, Chiyoda-ku, Tokyo	4,568,393	0.20
MUFG Securities (Canada), Ltd.	Royal Bank Plaza, South Tower, Suite 2940, 200 Bay Street, Toronto, Ontario M5J 2J1, CANADA	2,600,000	0.11
Total	-	97,932,593	4.25

(7) Voting rights
i. Issued shares

As of March 31,2024

Classification	Number of shares (shares)	Number of voting rights (units)	Contents
Shares without voting rights	-	-	-
Shares with restricted voting rights (Treasury shares, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with complete voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 220,458,100	-	-
Shares with complete voting rights (Other)	Common stock 2,080,838,600	20,808,386	-
Shares less than one unit	Common stock 1,415,608	-	-
Total number of issued shares	2,302,712,308	-	-
Total number of voting rights	-	20,808,386	-

- Notes:
1. The shares with complete voting rights (other) row includes 117,600 shares registered under the name of the Japan Securities Depository Center, Inc. The number of voting rights column includes 1,176 voting rights associated with complete voting rights shares registered under this name.
 2. The shares with complete voting rights (treasury shares, etc.) section includes shares in the Company held by the executive compensation BIP trust.

ii. Treasury shares, etc.

As of March 31,2024

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of issued shares (%)
(Treasury shares) KDDI CORPORATION	2-3-2, Nishishinjyuku, Shinjuku-ku, Tokyo	219,384,100	1,074,000	220,458,100	9.57
Total	-	219,384,100	1,074,000	220,458,100	9.57

- Notes:
1. Although 1,200 shares (12 voting rights) are registered under the Company's name in the shareholder register, they are not actually owned by the Company. These shares are included in the common stock with complete voting rights (others) section of i issued shares above.
 2. Reason for holding shares under another name, etc.
 - Japan Master Trust Bank, Ltd. (executive compensation BIP trust 75842 accounts, 1-8-1 Akasaka, Minato-ku, Tokyo, Akasaka Intercity AIR) holds these shares as trust assets for the executive compensation BIP trust, the stock compensation system for directors.

(8) Details of executive and employee stock ownership system

i. Stock ownership system for executives

KDDI has maintained and partially revised its performance-linked stock compensation system Board Incentive Plan (BIP) Trust (hereinafter, "BIP Trust"), which was introduced in fiscal 2015, through resolutions approved at the Board of Directors meeting held on May 13, 2022, and at the 38th Annual Shareholders Meeting held on June 22, 2022. The BIP Trust is for the Company's directors, executive officers, administrative officers and senior directors, (hereinafter "directors and other executives"; excludes directors residing overseas, outside directors and part-time directors). It was set up for the purpose of enhancing their awareness of contributing to medium- to long-term earnings and corporate value by more clearly linking the compensation of directors and other executives to earnings and shareholder value.

1. Outline of BIP Trust

The BIP Trust is an incentive plan for directors and executives modeled after U.S. performance-linked stock compensation (performance share) systems and restricted stock compensation (restricted stock) systems. KDDI shares acquired by the BIP Trust are granted to directors and other executives as compensation upon their retirement in amounts that reflect their professional ranking and the degree of achievement of performance targets. (However, such compensation may also be monetary in nature by cashing out KDDI shares within the trust in accordance with the provisions of the trust agreement.)

2. Details of trust agreement

• Type of trust

Money trust other than a specific individually operating money trust (third-party benefit trust)

• Purpose of trust

To provide incentives for the Company's directors and other executives

• Assignor

KDDI Corporation

• Trustee

Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)

• Beneficiaries

Retiring directors and other executives who satisfy beneficiary conditions

• Trust administrator

Third party with no interest-based relationship with the Company

• Date of trust agreement

Changed on August 19, 2022 (Initial date: September, 1, 2015)

• Trust period

From September 1, 2022 to August 31, 2025 (Prior to change: From September 1, 2015 to August 31, 2022)

• Start of plan

September 1, 2015 (start of initial trust)

• Execution of voting rights

Not to be executed

• Category of shares acquired

The Company's common stock

• Total amount of shares acquired

3,750,000,000 yen (including trust compensation and trust expenses)

• Rights holder

KDDI Corporation

• Residual assets

The rights holder, KDDI Corporation, receives residual assets, which are within the trust expense reserve, excluding trust monies for acquiring shares.

3. Total number of shares to be acquired by directors and other executives

1,200,000 shares

4. Persons eligible to receive beneficiary rights and other rights under this stock compensation system
Directors and other executives who have retired and meet beneficiary requirements.

ii. Incentive plan for management personnel (stock grant system)

Upon the resolution of the Board of Directors meeting held on August 1, 2018, the Company had been implementing the partially revised stock granting Employee Stock Ownership Plan (ESOP) Trust (hereinafter referred to as “ESOP Trust”), an incentive plan for management personnel that was introduced in fiscal 2015 for the purpose of enhancing medium- to long-term corporate value. However, the plan was concluded at the end of July 2022.

1. Outline of ESOP Trust

The ESOP Trust was an employee incentive plan modeled after the U.S. ESOP system, where the Company’s shares acquired by the ESOP Trust are granted to employees based on their positions and the achievement of earnings targets.

The Company established the trust by contributing funds for the acquisition of its shares, with certain management personnel who meet specified requirements designated as beneficiaries. The ESOP Trust acquired a predetermined number of the Company’s shares that had been expected to be granted to management personnel based on stock grant rules. Subsequently, at the end of the trust period, the ESOP Trust granted the Company’s shares to the management personnel in accordance with their positions and the achievement of earnings targets.

2. Maximum number of shares to be acquired by management personnel

This item is not applicable because this trust has been terminated.

3. Persons eligible to receive beneficiary rights and other rights under this incentive plan

Management personnel who meet the beneficiary requirements.

2 Status of Acquisition of Treasury Stocks

[Class of shares] Acquisition of shares of common stock under Article 155, items (iii and vii) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Classification	Number of shares (shares)	Total amount (in yen)
Resolution approved by the Board of Directors on May 13, 2022 (Acquisition period: From June 1, 2022 to May 31, 2023)	57,000,000	200,000,000,000
Treasury shares repurchased prior to the fiscal year under review	47,864,700	199,999,972,200
Treasury shares repurchased during the fiscal year under review	-	-
Total value and number of remaining voting shares	9,135,300	27,800
Ratio of unexercised repurchase options as of the end of the fiscal year under review (%)	16.0	0.0
Treasury shares repurchased	-	-
Ratio of unexercised repurchase options as of submission date (%)	16.0	0.0

Classification	Number of shares (shares)	Total amount (in yen)
Resolution approved by the Board of Directors on May 11, 2023 (Acquisition period: From June 1, 2023 to May 31, 2024)	92,000,000	300,000,000,000
Treasury shares repurchased prior to the fiscal year under review	-	-
Treasury shares repurchased during the fiscal year under review	75,112,600	299,999,809,500
Total value and number of remaining voting shares	16,887,400	190,500
Ratio of unexercised repurchase options as of the end of the fiscal year under review (%)	18.4	0.0
Treasury shares repurchased	-	-
Ratio of unexercised repurchase options as of the submission date (%)	18.4	0.0

Note: At the Board of Directors meeting held on July 28, 2023, a resolution was passed to conduct a tender offer for the Company's common stock. The details of the tender offer are as follows:

Tender offer period: Monday, July 31, 2023, to Monday, August 28, 2023 (20 business days)

Tender offer price: ¥3,900 per share of common stock

Planned number of shares to be purchased: 64,102,500 shares

Settlement start date: Wednesday, September 20, 2023

Classification	Number of shares (shares)	Total amount (in yen)
Resolution approved by the Board of Directors on May 10, 2024 (Acquisition period: From May 13, 2024 to October 31, 2024)	87,000,000	300,000,000,000
Treasury shares repurchased prior to the fiscal year under review	-	-
Treasury shares repurchased back during the fiscal year under review	-	-
Total value and number of remaining voting shares	-	-
Ratio of unexercised repurchase options as of the end of the fiscal year under review (%)	-	-

Treasury Shares repurchased	-	-
Ratio of unexercised repurchase options as of the submission date (%)	-	-

Note: 1. Excludes number of shares for buybacks of fractional unit shares from June 1, 2024, to the date of submission of these securities report.

2. At the Board of Directors meeting held on May 10, 2024, a resolution was passed to conduct a tender offer for the Company's common stock. The details of the tender offer are as follows:

Tender offer period: Monday, May 13, 2024, to Monday, June 10, 2024 (21 business days)

Tender offer price: ¥3,896 per share of common stock

Number of shares to be purchased: 54,780,000 shares

Settlement start date: Tuesday, July 2, 2024

Additionally, for any shares not acquired through this tender offer, within the limits of the total acquisition amount, the Company has decided to purchase shares on the open market (the Tokyo Stock Exchange Prime Market) from the business day following settlement start date, which is Wednesday, July 3, 2024, until Thursday, October 31, 2024.

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Classification	Number of shares (shares)	Total amount (in yen)
Treasury shares acquired during the fiscal year under review (Notes) 1	30	135,214
Treasury shares acquired during the period from April 1, 2024 to the filing date (Notes) 2	53	232,947

Notes: 1. The acquisition of treasury stock is due to requests for the purchase of shares less than one unit.

2. This excludes the number of shares acquired through the purchase of shares less than one unit from June 1, 2024, until the submission date of the Securities Report.

(4) Status of disposal and ownership of acquired treasury shares

Classification	Fiscal year under review		Period ¹	
	No. of shares (shares)	Total amount of retired shares (yen)	No. of shares (shares)	Total amount of retired shares (yen)
Treasury shares repurchased for recruitment of subscribers	-	-	-	-
Treasury shares repurchased for retirement	-	-	110,865,892	425,672,059,097
Treasury shares repurchased for mergers, stock swaps, share grants, and corporate splits	-	-	-	-
Other (Shares transferred to BIP Trust for executive compensation)	34	154,768	-	-
Treasury stock ²	219,384,141	-	108,518,302	-

Notes 1. Excludes shares delivered due to purchase requests for fractional unit shares from June 1, 2024, to the date of submission of this securities report.

2. Excludes the Company's shares held in the BIP Trust for executive compensation.

3 Dividends policy

The Company recognizes that returning value to shareholders is a critical aspect of management and adheres to a basic policy of maintaining stable dividends while ensuring financial health. The Company aims to maintain a consolidated dividend payout ratio exceeding 40%, while considering investments in sustainable growth.

In addition, the Company's basic policy is to distribute surplus funds twice a year through interim and year-end dividends.

The decision-making bodies for these dividends are the Board of Directors for interim dividends and the Annual Shareholders Meeting for year-end dividends.

For the fiscal year under review, the Company has already implemented an interim dividend of ¥70.00 per share. Additionally, the Company has set a year-end dividend of ¥70.00 per share, for a total annual dividend of ¥140.00 per share, which is an increase of ¥5.00 per share compared to the previous fiscal year.

Retained earnings are reserved for future capital expenditures, the development of new services and investments in new businesses. These expenditures and investments are intended to contribute to future profits that are distributed to shareholders.

The Company's Articles of Incorporation state that "dividends of surplus funds, as defined in Article 454, Paragraph 5 of the Companies Act, may be paid, by resolution of the Board of Directors, to shareholders or registered pledgees of shares as listed or recorded in the final shareholder register as of September 30 of each year."

Dividends of surplus funds were distributed as follows for the fiscal year under review:

Resolution date	Total amount of dividends (Millions of yen)	Dividend per share (yen)
November 2, 2023 Resolution of the Board of Directors	146,602	70
June 19, 2024 Resolution of Ordinary General Meeting of Shareholders	145,833	70

Note: The total amount of dividends approved by resolution of the Board of Directors on November 2, 2023, and the Annual Shareholders Meeting on June 19, 2024, included ¥75 million, respectively, of dividends paid for the Company's shares held in the BIP Trust for executive compensation.

4 Status of Corporate Governance, etc.

(1) Overview of corporate governance

The Company's basic view regarding corporate governance and implementation status of the measure

i. The Company's basic view regarding corporate governance

- As an information and communication service provider responsible for social infrastructure, the Company has the vital social mission of providing reliable communication services 24 hours a day, 365 days a year, regardless of circumstances. Furthermore, since the information and communications business borrows valuable assets from the nation, such as radio waves, the Company recognizes its social responsibility to resolve various social issues through the provision of telecommunications services.

To fulfill this social mission and social responsibility, sustained growth and medium- to long-term enhancement of corporate value are essential. While proactively addressing social issues, the Company aims to contribute to the development of a safe, secure, and prosperous communication-oriented society through dialogue and co-creation with all stakeholders of the Company, including customers, shareholders, business partners, employees, and local communities.

Strengthening corporate governance is crucial for sustained growth and the long-term improvement of corporate value. The Company endorses the spirit of Corporate Governance Codes set by financial instrument exchanges, striving to ensure transparency and fairness while enhancing mechanisms for swift and bold decision-making.

In addition to the corporate credo and KDDI Group Mission Statement, the Company has established the KDDI Group Philosophy as a set of shared ideas, values, and behavioral norms for executives and employees, and promotes their instillment across the Group.

By actively pursuing adherence to the Corporate Governance Code while putting into practice the Group Philosophy, the Company aims to reinforce corporate governance throughout the Group, including subsidiaries, and realize sustained growth and long-term improvement in corporate value.

ii. Overview and rationale for corporate governance structure

The Company has established a business management organization and other corporate governance structures related to the Company's decision-making, execution, and supervision functions.

(Board of Directors)

The Board of Directors, which includes outside directors and independent outside directors, makes decisions on business plans and important matters prescribed in laws and regulations, based on the Board of Directors' rules and agenda criteria. It also acts in a supervisory capacity to ensure that directors and other executives properly carry out their duties.

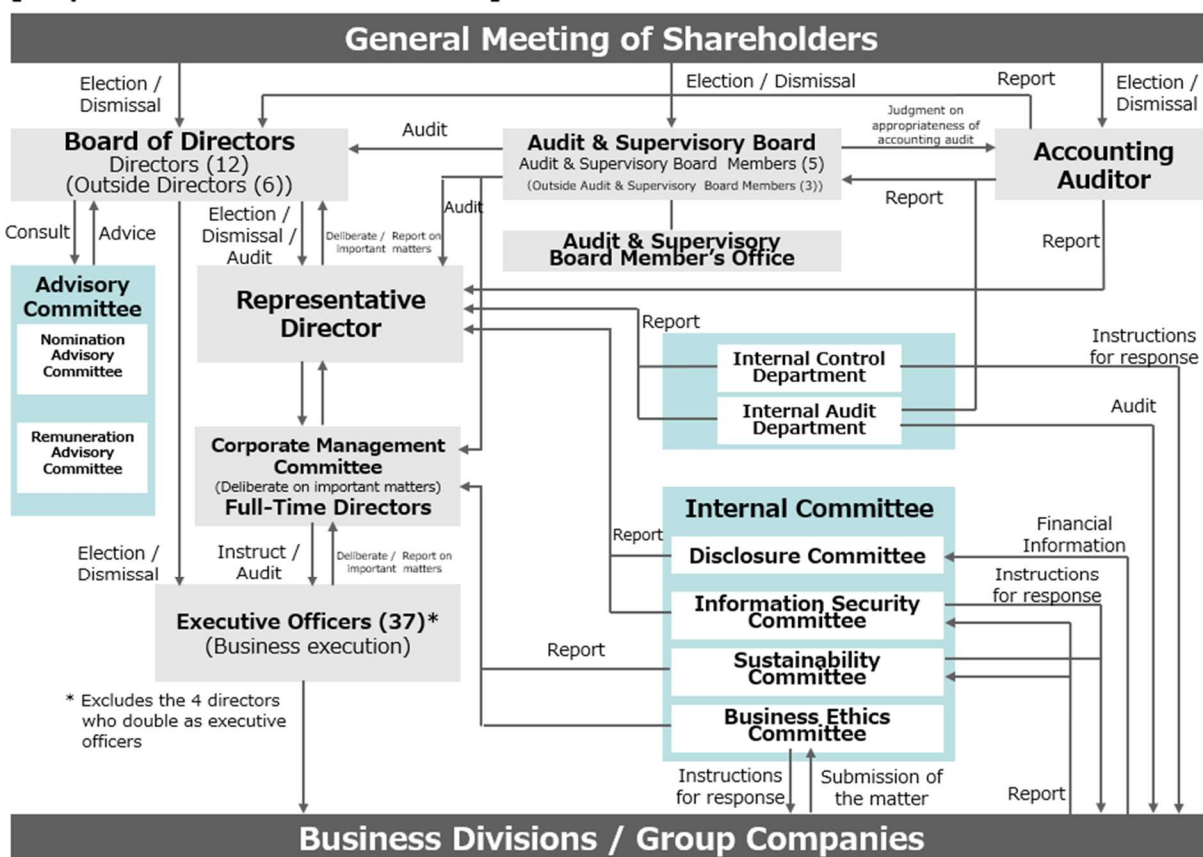
(Business execution system)

- The Executive Officer System aims to clarify both the delegation of authority and responsibility system as well as to ensure that tasks are executed effectively and efficiently.
- The Corporate Management Committee, which is composed of directors and executive officers, decides important matters pertaining to the business execution as well as agenda items for meetings of the Board of Directors.

The following is a diagram of the Company's corporate governance structure:

As of June 20, 2024

[Corporate Governance Framework]



(Rationale for current corporate governance structure)

The Company has adopted a structure wherein the Board of Directors consists of an equal number of internal and external directors to facilitate the appropriate and efficient execution of business and proper audit and supervisory functions that are expected of corporate governance. This structure also has an Audit & Supervisory Board, which consists of a majority of outside auditors.

Regarding the appropriate and efficient execution of business, the appropriateness and efficiency of business execution has been secured by clearly defining the roles and authority of each position using the Executive Officer System, guidelines on the division of duties, and the guidelines on resolution authority in line with decisions made by the Board of Directors that are material to management. Regarding proper audit and supervisory functions, the presence of diverse perspectives held by outside directors, including independent directors, ensures that checks are conducted effectively, enabling the proper functioning of audit and supervisory mechanisms. Audit & Supervisory Board Members do not have voting rights on the Board of Directors, allowing for objective auditing of directors' execution of duties, and independent outside auditors can perform audits from a position independent of other members of the management team.

(Regarding established bodies)

- Mr. Takashi Tanaka (Chairman, Representative Director) serves as the chair of the Board of Directors. Other members (11 directors, including six outside directors) are listed below in (2) Directors i. List of Directors.

In the fiscal year under review, the Company held Board of Directors meetings about once a month. The following table shows the attendance record of each director and auditor with regard to these meetings:

Duties	Name	Attendance rate of the Board of Directors for the current fiscal year
Chairman, Representative Director	Takashi Tanaka	100% (12/12)
President, Representative Director CEO	Makoto Takahashi	100% (12/12)
Representative Director	Toshitake Amamiya	100% (12/12)
Director	Kazuyuki Yoshimura	92% (11/12)
Director	Yasuaki Kuwahara	100% (10/10)
Director	Hiromichi Matsuda	100% (10/10)
Director	Goro Yamaguchi	100% (12/12)
Director	Keiji Yamamoto	100% (12/12)
Director	Shigeki Goto	100% (12/12)
Director	Tsutomu Tannowa	100% (12/12)
Director	Junko Okawa	100% (12/12)
Director	Kyoko Okumiya	100% (10/10)
Full-time Audit & Supervisory Board Member	Kenichiro Takagi	100% (12/12)
Full-time Audit & Supervisory Board Member	Noboru Edagawa	100% (12/12)
Full-time Audit & Supervisory Board Member	Yukihiro Asahina	100% (12/12)
Audit & Supervisory Board Member	Toshihiko Matsumiya	100% (12/12)
Audit & Supervisory Board Member	Jun Karube	92% (11/12)

Note: Attendance of Mr. Yasuaki Kuwahara, Mr. Hiromichi Matsuda and Ms. Kyoko Okumiya is after their appointment as directors at the 39th Annual Shareholders Meeting held on June 21, 2023.

At the Board of Directors, to balance the fairness of management decisions and the steady promotion of growth strategies, internal directors who are responsible for fulfilling their accountability in each area in the decision-making of important matters and management plans stipulated in laws and regulations. The directors are making decisions that ensure effectiveness and fairness through active discussions that utilize the insights of external officers with various backgrounds.

In addition, the Board of Directors regularly reports on the progress and achievement of the Mid-Term Management Strategy and annual plan that underpin company operations. Deliberations are conducted with a focus on strategies to achieve key goals and measures, as well as to addressing management issues arising from business environment changes and other factors, with the aim of achieving sustainable growth and increasing corporate value over the medium to long term.

Specific matters discussed by the Board of Directors are as follows:

1. Medium- to long- term strategy
The Mid-Term Management Strategy, the business environment analysis, etc.
2. Company-wide plan and progress report
Various company-wide plans for each fiscal year, quarterly financial results, business execution reports, etc.
3. Individual business division cases
Investments, asset acquisitions, alliances with other companies, etc.
4. Requests by Laws, Regulations, and Articles of Incorporation
Capital policy (dividends, treasury stock-related matters), executive appointments and compensation, convocation of General Meeting of Shareholders, etc.

- Audit & Supervisory Board Member Mr. Noboru Edagawa serves as the chair of the Audit & Supervisory Board. Other members (four auditors, including three outside auditors) are listed below in (2) Directors i. List of executives.

- The Nomination Advisory Committee has been established as a body to debate and advise on the nomination of candidates for director and auditor.

This Committee has the following members.

Chairman : Tsutomu Tannowa (Independent outside director)

Vice Chairman : Junko Okawa (Independent outside director)

Committee members : Kyoko Okumiya (Independent outside director), Makoto Ando (Independent outside director), Takashi Tanaka, Makoto Takahashi

The Nomination Advisory Committee met five times, and all members attended each time, where the committee provided advice on proposals submitted to the Board of Directors concerning the appointment of directors and executive officers, etc. and discuss about CEO Succession plan.

- The Remuneration Advisory Committee has been established as a body to debate and advise on remuneration systems and levels for directors.

This Committee has the following members.

Chairman : Junko Okawa (Independent outside director)

Vice Chairman : Tsutomu Tannowa (Independent outside director)

Committee members : Kyoko Okumiya (Independent outside director), Makoto Ando (Independent outside director), Takashi Tanaka, Makoto Takahashi

The Compensation Advisory Committee met twice, and all members attended. The committee discussed the advice concerning proposals submitted to the Board of Directors for the determination of performance-linked compensation, stock price-linked compensation and proposal regarding the revision of executive compensation.

iii. Status of systems to ensure proper business operations

The Company is committed to maintaining and appropriately operating systems to ensure proper business operations based on the Basic Policy for Constructing an Internal Control System.

(Status of compliance system establishment)

- All Directors and employees should continuously maintain high ethical standards in accordance with the basic principles set forth in the 'KDDI Action Guideline,' which should be complied with, and aim to execute their business duties properly.
Firm measures should be taken against antisocial forces, and efforts should be made to sever all such relationships.
- Each the Group company shall make efforts to promptly identify and resolve any serious violation of laws and ordinances or other compliance-related matters or incidents, at the Group company meetings pertaining to business ethics. The Company shall aim to appropriately operate a whistle-blowing system internal reporting contact established both internally and externally to the company. The Company shall strive to improve understanding and awareness of compliance through in-house training and education as well as outside training lectures.

(Status of risk management system establishment)

- The Company shall conduct business risk analyses, stringently prioritize business activities and formulate appropriate business strategies and business plans at meetings participated in by Directors concerning business strategy, with the objective of continuous growth for the Group. To achieve this, business risk should be monitored monthly at meetings pertaining to performance management, and this performance should be managed thoroughly.
- The Company shall appoint an Internal Control Officer in each division, and the Internal Control Officer shall autonomously promote the following initiatives so that business objectives may be achieved fairly and efficiently.
 - All Divisions and their Directors shall work in cooperation with the Risk Management Division, which regularly identifies and uniformly manages risk information. The Group's risks shall be managed appropriately and in accordance with internal regulations, and efforts shall be made to achieve business objectives fairly and efficiently.
 - The Company shall examine measures for minimizing the risk of business interruptions as much as possible in order to respond to events which could have serious and long-term effects on corporate business.
 - In accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, the Company shall implement documentation, assessment and improvement of the state of company-wide internal control

and of important business processes on a consolidated basis, with the aim of further improving the reliability of financial reporting.

- The Company shall aim to maintain and enhance the systems necessary to improve the quality of business duties of the Group, including enhancement of the effectiveness and efficiency of business duties and appropriate acquisition, safekeeping and disposal of assets.
- In its role as a telecommunications carrier, the Company shall pursue the following initiatives.
 - Protecting the privacy of communications
 - Protecting the privacy of communications is at the very root of the Group's corporate management, and the Group will abide by this.
 - Information Security
 - The Company aims to manage the company's total information assets, including preventing leaks of customer information and cyber-terrorism of networks for telecommunications services, by formulating measures at meetings pertaining to information security to ensure this security in cooperation with the Directors and employees.
 - Recovering networks and services in times of disaster
 - In order to minimize as much as possible the risk of a termination or interruption to telecommunications services in the event that a major accident, obstruction or large-scale disaster occurs, a Business Continuity Plan (BCP) shall be formulated and measures shall be implemented to improve network reliability and prevent the halting of services. In order to facilitate a prompt recovery in times of emergency or disaster, a Disaster Response Headquarters shall be established as expeditiously as possible.

(Initiatives relating to working together with stakeholders)

- The whole company shall make efforts to gain support and trust for all the Group activities, improve customer satisfaction, and strengthen and expand the company's customer base.
- By regarding all stakeholders as customers, and through the prompt and appropriate response to customer needs and complaints, Through the prompt and appropriate response to customer needs and complaints, the Company engages in customer experiences with the aim of enhancing the experience value of customer.
- In addition to providing customers with safe, secure, high-quality products and services in compliance with the pertinent laws and regulations, information about products and services should be provided in an easy-to understand format and indicated appropriately, so that customers can select and use the most appropriate product and/or service.
- In order to gain the understanding and trust of all stakeholders, transparency of the Group management shall be ensured, and efforts shall be made to further enhance the PR and IR activities of the Group.
- The Group's business risk shall be fairly identified and disclosed in a timely and appropriate manner at meetings pertaining to information disclosure. In addition, the Group strives to proactively disclose information, including by disclosing financial and non-financial information in its Integrated Sustainability and Financial Report and disclosing detailed information regarding such topics as the environment, society, and governance (ESG) on its Sustainability Website.

(Systems for ensuring business suitability of corporate groups)

- To ensure business suitability in subsidiaries, regulations pertaining to the management of subsidiaries shall be defined, and the systems described below shall be established.
- The investment management division in charge of the management of each subsidiary, as well as the general management division that extends across the subsidiaries, shall be defined in order to establish a system of management and support for subsidiaries.
- Subsidiary management roles pertaining to the Directors, the Audit & Supervisory Board Members, and other staff dispatched to each subsidiary shall be defined in order to ensure the effectiveness of subsidiary governance.
- For decision-making on important matters at subsidiaries, the matters to be approved and approval procedures by the Board of Directors, the Corporate Management Committee, etc. shall be defined in order to establish the subsidiary management system.
- The matters covered in reports, as well as the procedures, shall be defined for subsidiaries in order to establish a system of collaboration with subsidiaries.
- Risk management
 - The company shall appoint an Internal Control Officer in each subsidiary to ensure appropriate business operations in each subsidiary, as well as to promote proper risk management and reduction measures, so as to achieve business goals fairly and efficiently.

- Compliance

In addition to working, through meetings in each subsidiary pertaining to the business ethics, to promptly identify and resolve any serious violation of laws and ordinances by a subsidiary or any other compliance-related matter or incident, a whistle-blowing system shall at all times maintain high ethical standards in accordance with the KDDI Action Guideline, and promotion shall be implemented to ensure a system is in place whereby business duties are carried out appropriately.

iv. Other matters related to corporate governance

(Outline of Liability Limitation Agreements)

The Company concludes agreements with directors (excluding executive directors) and Audit & Supervisory Board Members limiting their liability for damages in accordance with Article 427-1 and Article 423-1 of the Companies Act. The limits on damage liability amounts based on these agreements are set in accordance with Article 425-1 of the Companies Act.

These limitations of liability are limited to acts by directors and Audit & Supervisory Board Members who are without knowledge and are not grossly negligent in performing duties that are the source of such responsibility.

(Outline of liability insurance policy for directors and other executives)

The Company has contracted with an insurance company to provide liability insurance policies for directors and other executives in accordance with Article 430, Paragraph 3, Section 1 of the Companies Act. The insured under this policy includes directors, auditors, and executive officers of the Company and its subsidiaries. The insurance covers damages that may be incurred due to claims related to their responsibilities or the pursuit of such responsibilities in the execution of their duties. The premiums for these insurance policies are paid in full by the Company and its subsidiaries.

(Number of directors)

The Company's Articles of Incorporation specify that the number of directors shall not exceed 20.

(Resolution requirements for appointment and dismissal of directors)

The Company's Articles of Incorporation stipulate that the appointment of directors shall be decided through the exercise of voting rights by a majority of shareholders holding at least one-third of the eligible voting rights. Furthermore, the Articles of Incorporation specify that the appointment of directors shall not be subject to cumulative voting.

The Directors shall be considered for dismissal, etc. in the event that any of the following conditions apply.

1) Criteria for dismissal, etc.

- The performance of the business for which they are responsible or the result of activities for the division for which they are responsible is significantly unsatisfactory
- In the course of executing their duties, a director inflicted damage upon the Company by violating legal statutes and the articles of association through other deliberate or seriously negligent means
- A director significantly harmed the Company's standing and reputation by using his or her position and authority to wrongfully receive personal gains, etc.
- Any other aspects which the Company deems to be unsuitable for a director

2) Procedures for the dismissal, etc. of Directors

- After a review by the designated advisory committee, the required measures for dismissal are reviewed in a Board of Directors meeting and carried out at the appropriate time.

(Extraordinary resolution requirements for shareholders' meetings)

The Company has stipulated in its Articles of Incorporation, in accordance with Article 309, Paragraph 2 of the Companies Act, that resolutions of general meetings of shareholders must be made in the presence of and with the support of shareholders holding at least one-third of the eligible voting rights, with at least two-thirds of the voting rights being executed in favor of passing the resolution. This requirement is intended to facilitate the smooth operation of shareholders' meetings by easing the quorum requirements for extraordinary resolutions of general meetings of shareholders.

(Decision-making body for dividends of surplus)

According to the Company's Articles of Incorporation, the Board of Directors has the authority to make decisions regarding the distribution of surplus funds as interim dividends, as specified in Article 454, Paragraph 5 of the Companies Act

(hereinafter referred to as “interim dividends”), to shareholders or registered pledgees of shares listed or recorded in the final shareholder register as of September 30 of each year. The purpose of this provision is to enable the flexible distribution of profits to shareholders by granting the Board of Directors the authority to determine the payment of interim dividends.

(Repurchase of shares)

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company’s Articles of Incorporation state that the Board of Directors may decide to repurchase the Company’s shares through market transactions. The purpose of this provision is to enable a flexible capital policy that is responsive to changes in the business environment, by allowing the Company to repurchase its own shares through market transactions.

(2) 【Status of executives】

i. List of executives

14 males, 3 females (female representation among executives is 17.6%)

Title of position	Name	Date of birth	Brief history	Term of office	Number of shares outstanding (shares)
Chairman, Director	Takashi Tanaka	February 26, 1957	April 2003 Executive Officer June 2007 Managing Executive Officer, Director June 2010 Senior Managing Executive Officer, Representative Director December 2010 President, Representative Director April 2018: Chairman, Representative Director June 2021 Outside Director of Astellas Pharma Inc.(Current position) June 2024 Chairman, Director (Current position)	Note: 4	62,500
President, Representative Director CEO (Chief Executive Officer), Executive Director, Corporate & Marketing Communications Sector Global Consumer Business Sector	Makoto Takahashi	October 24, 1961	April 2003 Executive Officer June 2007 Managing Executive Officer, Director June 2010 Senior Managing Executive Officer, Representative Director June 2016 Executive Vice President, Representative Director April 2018 President, Representative Director (Current position) April 2023 CEO (Chief Executive Officer) (Current position) April 2024 Executive Director, Corporate & Marketing Communications Sector and Global Consumer Business Sector (Current position)	Note: 4	40,000
Executive Vice President, Representative Director Executive Director, Business Solution Sector	Yasuaki Kuwahara	October 25, 1962	April 2018 Executive Officer April 2022 Managing Executive Officer June 2023 Senior Managing Executive Officer, Director April 2024 Executive Director, Business Solution Sector (Current position) June 2024 Executive Vice President, Representative Director (Current position)	Note: 4	9,200
Managing Executive Officer, Director CDO (Chief Digital Officer), Executive Director, Advancing Business Technology Sector, and General Manager, Advancing Business Tech-Strategy Division	Hikomichi Matsuda	November 30, 1971	April 2020 Executive Officer June 2023 Executive Officer, Director April 2024 Managing Executive Officer, Director (Current position) CDO (Chief Digital Officer) (Current position), Executive Director, Advancing Business Technology Sector, and General Manager, Advancing Business Tech-Strategy Division (Current position)	Note: 4	9,000
Managing Executive, Director CFO (Chief Financial Officer) Executive Director, Corporate Sector	Nanae Saishoji	May 12, 1964	April 2020 Executive Officer Executive Manager, Corporate Management Division, Corporate Sector April 2022 Deputy Executive Director, Corporate Sector, and General Manager, Sustainability Management Division April 2023 Managing Executive Officer CFO (Chief Financial Officer) (Current position) Executive Director, Corporate Sector (Current position) June 2024 Managing Executive Officer, Director (Current position)	Note: 4	10,900

Title of position	Name	Date of birth	Brief history	Term of office	Number of shares outstanding (shares)
Managing Executive Officer, Director, Executive Director, Personal Business Sector	Hiroshi Takezawa	December 18, 1964	<p>April 2018 Executive Officer Deputy General Manager, Consumer Sales Division, Consumer Business Sector</p> <p>April 2020 President, UQ Communications Inc.</p> <p>April 2021 Executive Manager, Marketing Division, Personal Business Sector</p> <p>April 2022 Managing Executive Officer</p> <p>April 2023 Executive Manager, Business & Services Development Division, Personal Business Sector</p> <p>April 2024 Executive Director, Personal Business Sector (Current position)</p> <p>June 2024 Managing Executive Officer, Director (Current position)</p>	Note: 4	7,700
Director	Goro Yamaguchi	January 21, 1956	<p>June 2009 Director and Managing Executive Officer of KYOCERA Corporation</p> <p>April 2013 President and Representative Director, President and Executive Officer of KYOCERA Corporation</p> <p>April 2017 Chairman of the Board and Representative Director of KYOCERA Corporation (Current position)</p> <p>June 2017 Director (Current position)</p>	Note: 4	15,500
Director	Keiji Yamamoto	March 28, 1961	<p>April 2016 Executive General Manager of TOYOTA MOTOR CORPORATION</p> <p>April 2017 Managing Officer of TOYOTA MOTOR CORPORATION</p> <p>June 2019 Director (Current position)</p> <p>July 2019 President, Connected Company of TOYOTA MOTOR CORPORATION</p> <p>January 2021 Operating Officer of TOYOTA MOTOR CORPORATION Chief Information & Security Officer of TOYOTA MOTOR CORPORATION (Current position)</p> <p>April 2023 Senior Fellow of TOYOTA MOTOR CORPORATION (Current position)</p>	Note: 4	1,500
Director	Tsutomu Tannowa	October 26, 1951	<p>April 2007 Executive Officer of Mitsui Chemicals, Inc.</p> <p>April 2010 Managing Executive Officer of Mitsui Chemicals, Inc.</p> <p>June 2012 Member of the Board, Managing Executive Officer of Mitsui Chemicals, Inc.</p> <p>April 2013 Member of the Board, Senior Managing Executive Officer of Mitsui Chemicals, Inc.</p> <p>April 2014 Representative Director, Member of the Board, President & CEO of Mitsui Chemicals, Inc.</p> <p>April 2020 Representative Director, Chairperson of the Board of Mitsui Chemicals, Inc.</p> <p>June 2022 Director (Current position)</p> <p>April 2023 Director, Chairperson of the Board of Mitsui Chemicals, Inc. (Current position)</p> <p>June 2023 Outside Director of TOKYO GAS CO., LTD. (Current position)</p>	Note: 4	2,000

Title of position	Name	Date of birth	Brief history	Term of office	Number of shares outstanding (shares)
Director	Junko Okawa	August 31, 1954	<p>February 2010 Executive Officer of Japan Airlines Co., Ltd.</p> <p>February 2012 Managing Executive Officer of Japan Airlines Co., Ltd.</p> <p>April 2013 Senior Managing Executive Officer of Japan Airlines Co., Ltd.</p> <p>June 2013 Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.</p> <p>April 2016 Representative Director, Senior Managing Executive Officer of Japan Airlines Co., Ltd.</p> <p>June 2018 Vice Chairperson of Japan Airlines Co., Ltd.</p> <p>April 2019 External Affairs Representative of Japan Airlines Co., Ltd.</p> <p>June 2020 Outside Director of The Shoko Chukin Bank, Ltd. (Current position)</p> <p>June 2022 Director (Current position) Outside Director of Asahi Broadcasting Group Holdings Corporation (Current position)</p> <p>June 2023 Outside Director of Tokyo Electric Power Company Holdings, Inc. (Current position)</p>	Note: 4	700
Director	Kyoko Okumiya	June 2, 1956	<p>April 1984 Registered as attorney at law</p> <p>September 2000 Partner, Tanabe & Partners (Current position)</p> <p>August 2003 Member of Audit Committee of Kawasaki City</p> <p>June 2014 Outside Audit & Supervisory Board Member of NEC Corporation Outside Director of MORINAGA MILK INDUSTRY CO., LTD.</p> <p>July 2017 Chairperson of The Labour Policy Council Equal Employment Opportunity Subcommittee (Current position)</p> <p>April 2018 Member of Administrative Advisory Council, School of Legal and Political Studies of The University of Tokyo</p> <p>June 2018 Outside Director of The Bank of Yokohama, Ltd.</p> <p>June 2023 Director (Current position) Outside Director of ASAHI KOGYOSHA CO., LTD. (Current position)</p>	Note: 4	100
Director	Makoto Ando	February 16, 1952	<p>April 1995 Professor, Department of Electrical and Electronic Engineering, School of Engineering of Tokyo Institute of Technology</p> <p>April 2015 Director, Executive Vice President for Research Tokyo Institute of Technology</p> <p>April 2017 Emeritus Professor of Tokyo Institute of Technology (Current position)</p> <p>April 2018 Director (research, information) of Independent Administrative Agency National College of Technology</p> <p>June 2020 Programme Director, Strategic Information and Communications R&D Promotion Programme of Ministry of Internal Affairs and Communications (Current position)</p> <p>January 2022 Chairperson of Japan Coordinating Council for Wireless Power Transfer (Current position)</p> <p>April 2024 Programme Director, Fundamental Technologies for Sustainable Efficient Radio Wave Use R&D Project of Ministry of Internal Affairs and Communications (Current position)</p> <p>June 2024 Director (Current position)</p>	Note: 4	-

Title of position	Name	Date of birth	Brief history	Term of office	Number of shares outstanding (shares)
Full-time Audit & Supervisory Board Member	Noboru Edagawa	February 23, 1959	<p>April 2014 Seconded to KDDI Engineering Corporation</p> <p>March 2017 Seconded to KDDI Summit Global Myanmar Co., Ltd. (KSGM)</p> <p>April 2018 Executive Officer</p> <p>April 2019 Managing Executive Officer seconded to KSGM (CEO)</p> <p>April 2021 Advisor</p> <p>June 2022 Full-time Audit & Supervisory Board Member (Current position)</p>	Note: 5	9,200
Full-time Audit & Supervisory Board Member	Kazuyasu Yamashita	January 12, 1965	<p>April 2010 General Manager, Intellectual Property Office, Network Technology Division</p> <p>April 2018 General Manager, Global Corporate Management Department, Global Business Planning Division</p> <p>April 2022 Deputy General Manager, Sustainability Management Division, Corporate Sector</p> <p>April 2023 General Manager, Sustainability Management Division, Corporate Sector</p> <p>January 2024 With headquarters, Corporate Management Division, Corporate Sector</p> <p>June 2024 Full-time Audit & Supervisory Board Member (Current position)</p>	Note: 6	4,000
Full-time Audit & Supervisory Board Member	Naoki Fukushima	June 30, 1960	<p>August 2007 General Manager of Land Acquisition Department, Kinki Regional Development Bureau of Ministry of Land, Infrastructure, Transport and Tourism</p> <p>September 2012 Director, Housing policy Division, Housing Bureau of Ministry of Land, Infrastructure, Transport and Tourism</p> <p>June 2013 Deputy Director General, Regional Revitalization Integration Secretariat of Cabinet Secretariat</p> <p>July 2014 Director of Incorporated Administrative Agency Japan Housing Finance Agency</p> <p>July 2018 Professor of College of Land, Infrastructure, Transport and Tourism</p> <p>October 2020 Director and President of REAL ESTATE RESEARCH INSTITUTE, INC.</p> <p>June 2024 Full-time Audit & Supervisory Board Member (Current position)</p>	Note: 6	-
Audit & Supervisory Board Member	Kazutoshi Kogure	January 17, 1959	<p>March 1982 Joined Tohmatsu Aoki & Co. (Currently Deloitte Touche Tohmatsu LLC)</p> <p>April 1985 Registered as a Certified Public Accountant</p> <p>June 1996 Partner of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)</p> <p>July 2013 Executive Board Member of The Japanese Institute of Certified Public Accountants</p> <p>July 2019 Deputy President of The Japanese Institute of Certified Public Accountants</p> <p>July 2022 Senior Advisor of The Japanese Institute of Certified Public Accountants (Current position)</p> <p>October 2022 Established Kazutoshi Kogure CPA Office (Representative) (Current position)</p> <p>December 2023 Audit Committee Member, Sumida Ward, Tokyo (Current position)</p> <p>June 2024 Audit & Supervisory Board Member (Current position)</p>	Note: 6	-

Title of position	Name	Date of birth	Brief history	Term of office	Number of shares outstanding (shares)
Audit & Supervisory Board Member	Koji Arima	February 23, 1958	June 2008 Executive Director of DENSO CORPORATION June 2014 Senior Executive Director of DENSO CORPORATION June 2015 Representative Member of the board, President of DENSO CORPORATION May 2022 Chairman of Japan Auto Parts Industries Association June 2023 Representative Member of the board, Chairman of DENSO CORPORATION (Current position) June 2024 Audit & Supervisory Board Member (Current position)	Note: 6	-
Total					172,300

Notes: 1. Directors Goro Yamaguchi, Keiji Yamamoto, Tsutomu Tannowa, Junko Okawa, Kyoko Okumiya, and Makoto Ando are outside directors.

2. Auditors Naoki Fukushima, Kazutoshi Kogure, and Koji Arima are outside members of the Audit & Supervisory Board.

3. The Company has introduced an executive officer system to revitalize the Board of Directors and expedite business execution by separating decision-making and supervision from execution. The executive officers consist of 41 members, including the four directors mentioned above who serve concurrently.

4. The term of office starts from the conclusion of the Annual Shareholders Meeting held on June 19, 2024, until the conclusion of the Annual Shareholders Meeting for the fiscal year ending within one year.

5. The term of office starts from the conclusion of the Annual Shareholders Meeting held on June 22, 2022, until the conclusion of the Annual Shareholders Meeting for the fiscal year ending within four years.

6. The term of office starts from the conclusion of the Annual Shareholders Meeting held on June 19, 2024, until the conclusion of the Annual Shareholders Meeting for the final fiscal year within four years.

7. The number of shares held is based on the shareholder registry as of March 31, 2024.

ii. Status of Outside Directors (9 persons)

- Director Goro Yamaguchi is chairman of Kyocera Corporation. The Company has business and capital relationships with Kyocera Corporation.
- Director Keiji Yamamoto is a senior fellow at Toyota Motor Corporation. The Company has business and capital relationships with Toyota Motor Corporation.
- The Company has business relationships with Kyocera Corporation and Toyota Motor Corporation, but the transaction amounts are less than 5% of the operating revenue for both parties. Although the exact ratio of the transaction amounts to the Company's consolidated operating revenue is unknown, management believes that it is not significantly different from the parent-basis ratio, considering the ratio of parent operating revenue to consolidated operating revenue and the similarity of business operations at both companies. Kyocera Corporation's and Toyota Motor Corporation's ownership of shares in the Company is explained in 1. Information about shares, etc., (6) Principal Shareholders.
- Director Tsutomu Tannowa is chairman of Mitsui Chemicals, Inc. The Company has a business relationship with Mitsui Chemicals, Inc., but the transaction amount is less than 1% of the operating revenue for both parties. Although the exact ratio of the transaction amounts to the Company's consolidated operating revenue is unknown, management believes that it is not significantly different from the parent-basis ratio, considering the ratio of parent operating revenue to consolidated operating revenue and the similarity of business operations at both companies. This relationship does not affect the independence of the outside director.
- Director Kyoko Okumiya is a partner at Tanabe & Partners. The Company has a business relationship with Tanabe & Partners (outsourcing the operation of its internal whistleblowing hotline), but the transaction amount is less than 1% of the operating revenue for both parties. Although the exact ratio of the transaction amounts to the Company's consolidated operating revenue is unknown, management believes that it is not significantly different from the parent-basis ratio, considering the ratio of parent operating revenue to consolidated operating revenue and the similarity of business operations at both companies. This relationship does not affect the independence of the outside director.
- Auditor Koji Arima is chairman of DENSO Corporation. The Company has a business relationship with DENSO Corporation, but the transaction amount is less than 1% of the operating revenue for both parties. Although the exact ratio of the transaction amounts to the Company's consolidated operating revenue is unknown, management believes that it is not significantly different from the parent-basis ratio, considering the ratio of parent operating revenue to consolidated

operating revenue and the similarity of business operations at both companies. This relationship does not affect the independence of the outside auditor.

- Directors Junko Okawa and Makoto Ando, and Auditors Naoki Fukushima and Kazutoshi Kogure have no special conflicts of interests with the Company.
- Shareholdings by outside directors and outside auditors in the Company are listed in section i. List of executives.

(Corporate governance functions, roles and nominations)

- The Company recognizes that the introduction of highly independent outside directors is an effective means of improving corporate governance. The Company has established its own criteria for independent outside directors to complement the standards set by financial instruments exchanges and requirements for outside directors under the Companies Act. Specifically, individuals who have relations with customers or suppliers that account for greater than or equal to 1% of the Company's consolidated sales or orders are uniformly considered to lack independence.
- Director Goro Yamaguchi has a wealth of corporate management experience and excellent knowledge cultivated as the President and Representative Director of a major electronic components and equipment manufacturer. He was appointed as an outside director with the expectation that he will provide advice from a wide-ranging managerial perspective and contribute to the strengthening of the supervisory function for the execution of business.
- Director Keiji Yamamoto has excellent knowledge cultivated in IT development and electronics engineering divisions and abundant corporate management experience as a corporate manager at a major automobile manufacturer. He was appointed as an outside director with the expectation that he will provide advice from a technical perspective in the field of information and communications, etc., and contribute to the strengthening of the supervisory function for the execution of business.
- Director Tsutomu Tannowa has a wealth of corporate management experience cultivated as President & CEO of a major chemical manufacturer, as well as excellent knowledge from a global perspective. He was appointed as an outside director with the expectation that he will provide advice from a wide-ranging managerial perspective and contribute to the strengthening of the supervisory function for the execution of business. With this background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, he has been designated an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Director Junko Okawa has a wealth of corporate management experience as a manager of a major airline company, in addition to excellent knowledge cultivated from her work experience at that airline company, especially in practical aspects such as customer service, corporate rehabilitation, and diversity promotion. She was appointed as an outside director with the expectation that she will provide advice from a wide-ranging managerial perspective and contribute to the strengthening of the supervisory function for the execution of business. With this background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, she has been designated an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Director Kyoko Okumiya has abundant experience and superior knowledge cultivated as a partner at a law firm and a committee member, etc. Although she does not have prior experience of direct involvement in corporate management, she was appointed as an outside director with the expectation that she will provide advice from a specialist perspective as an attorney at law, and contribute to the strengthening of the supervisory function for the execution of business. With this background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, she has been designated an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Director Makoto Ando has superior knowledge in the field of telecommunications and information technology, which is directly relevant to the business of the Company. Although he does not have prior experience of direct involvement in corporate management, he was appointed as an outside director with the expectation that he will provide advice from a technical perspective and contribute to the strengthening of the supervisory function for the execution of business. With this background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, he has been designated an Independent Director as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Auditor Naoki Fukushima has abundant experience and superior knowledge cultivated from many years of practical experience in the public sphere and involvement in the execution of business at various organizations. From the perspective of leveraging this experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been appointed as an Outside Audit & Supervisory Board Member. With his background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, he has been designated an Independent Auditor as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

- Auditor Kazutoshi Kogure has abundant experience and superior knowledge cultivated as a Certified Public Accountant, as a partner of an audit corporation, as the representative of an accountancy firm, etc. From the perspective of leveraging this primarily accounting-related experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been appointed as an Outside Audit & Supervisory Board Member. With his background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, he has been designated an Independent Auditor as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Auditor Koji Arima has abundant experience and excellent knowledge cultivated as the president and CEO of a major automotive parts manufacturer. From the perspective of leveraging this experience and knowledge to monitor general management and to engage in appropriate audit activities, he has been appointed as an Outside Audit & Supervisory Board Member. With his background, we judge there to be no risk of a conflict of interest with general shareholders and, accordingly, he has been designated an Independent Auditor as defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

iii. Supervision, audits and internal audits by Outside Directors or Outside Audit Directors, audits by Audit Committee, cooperation with accounting audits, and relationship with the internal control office
(Supervisory and audit coordination, etc.)

- If an outside director is unable to attend a Board of Directors meeting, they are briefed on the discussions and content of the meetings. We also seek their opinions and advice regarding the Company's management.
- Outside auditors perform their audit duties based on the audit policies and plans established by the Audit & Supervisory Board. The two part-time outside auditors receive reports on the audit methods and results of the full-time auditors at meetings of the Audit & Supervisory Board. They also regularly exchange opinions with the internal audit department and the accounting auditor to enhance the efficiency and effectiveness of the audits.
- Outside directors obtain necessary information from the Board of Directors, while outside auditors gather information through the Board of Directors, the Audit & Supervisory Board. They provide their opinions from their standpoint as outsiders. Furthermore, they collaborate with the Risk Management Division within this framework by hearing reports on corporate ethics and internal control conditions, with the objective of strengthening corporate governance as well as pursuing sustainable growth and long-term enhancement of corporate value.

(3) Status of audits

i. Status of audits by Audit Committee

a. Organization, personnel, and procedures

The Audit & Supervisory Board of the Company consists of five Auditors, including three outside Auditors. The Auditors conduct their audit duties in accordance with the audit policies, audit plans, audit methods, and work assignments determined by the Audit & Supervisory Board.

For detailed information on personnel, refer to the previous section's i. List of executives under (2) Status of executives. Notably, Outside Auditors Kazutoshi Kogure has extensive experience and insight as a Certified Public Accountant and head of an accounting firm.

During the fiscal year under review, the Company held Audit & Supervisory Board meetings once a month in principle. The attendance of each Auditor was as follows. Notably, Outside Auditor Toshihiko Matsumiya has extensive experience and insight as a Certified Public Accountant, the head of an accounting firm, and an Auditor for other companies.

duties	Name	Attendance rate of the Audit and Supervisory Board for the current fiscal year
Full-time Audit & Supervisory Board Member	Kenichiro Takagi	100% (12/12)
Full-time Audit & Supervisory Board Member	Noboru Edagawa	100% (12/12)
Full-time Audit & Supervisory Board Member	Yukihiro Asahina	100% (12/12)
Audit & Supervisory Board Member	Toshihiko Matsumiya	100% (12/12)
Audit & Supervisory Board Member	Jun Karube	92% (11/12)

To assist the duties of the auditors, the Company has established the Audit & Supervisory Board Members' Office staffed with seven full-time personnel. Additionally, the Company has entered into an advisory contract with a law firm as an external expert at the Company's expense.

b. Status of activities by the Audit Committee and its members

(Status of activities by the Audit Committee)

The Audit & Supervisory Board convenes to receive reports, hold discussions, and make resolutions on significant matters related to audits.

In the fiscal year under review, the Audit & Supervisory Board primarily focused on 1) formulating audit policies and audit plans, 2) preparing audit reports, 3) reporting on audit activities from the full-time Audit & Supervisory Board members, 4) listening to explanations of audit plans, quarterly review results, and year-end audit results from the accounting auditor, 5) evaluating and reappointing the accounting auditor, and consenting to the accounting auditor's audit fees, and 6) obtaining reports on audit activities by auditors at subsidiaries.

Additionally, for the fiscal year under review, the Audit & Supervisory Board set and addressed the five following key audit areas: 1) strengthening Group governance, 2) maintaining and enhancing the reliability of equipment systems, 3) ensuring thorough information security measures and personal information protection, 4) ensuring the firm establishment of the new personnel system and the new workstyle declaration, and 5) establishing a framework for promoting sustainability management.

For Key Audit Matters (KAMs), the Audit & Supervisory Board worked closely with the accounting auditor to narrow down the KAMs through multiple constructive discussions, focusing on items deemed to be significant in terms of amounts, from the many factors involved in estimates, including those that management deems important.

(Activities of Full-time Audit & Supervisory Board members)

Full-Time Audit & Supervisory Board members attend meetings of the Board of Directors, as well as the Corporate Management Committee and other major meetings (Management Strategy Meeting, Monthly Profitability Review Meeting, the Group Business Ethics Committee, etc.) to perform their audit duties and express their opinions, as necessary.

They also review request-for-approval documents (approximately 20,500 in the fiscal year under review), materials and minutes of important meetings, and conduct audits focused on the head office, business sites, and domestic and overseas subsidiaries (34 departments at the head office, 15 domestic subsidiaries, and 4 overseas subsidiaries during the fiscal year under review). These audits mainly focus on directors' execution of duties and the establishment and operation of internal

control systems.

In order to ensure sufficient communication with Representative Directors and to deepen mutual recognition and trust, full-time Audit & Supervisory Board members exchange opinions with Representative Directors twice a year on important audit issues, improvement of the auditing environment for Audit & Supervisory Board members, audit results, and requests related to audits.

The Group Auditors Liaison Meeting is held (twice during the fiscal year under review) to facilitate the internal corporate control of the entire Group, the internal control systems of Group companies, and maintain the audit environment.

The Audit & Supervisory Board Members Liaison Meeting is held (51 times during the fiscal year under review) to facilitate the sharing of information about audit activities among the full-time Audit & Supervisory Board members. Regarding collaboration with the accounting auditor, the Company receives quarterly reports from the accounting auditors on the methods and results of audits (including quarterly reviews). Additionally, the Company regularly holds meetings with the accounting auditor during the fiscal year to promptly share information and exchange opinions on audit issues, with the aim of enhancing the efficiency and effectiveness of accounting audits. Furthermore, starting in the fiscal year under review, the Company has newly established the Tripartite Audit Collaboration Council (joint meetings with full-time Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Division) for the purpose of sharing information obtained from each audit and discussing the best way to collaborate among the three parties.

(Activities of part-time Audit & Supervisory Board members)

Part-time Audit & Supervisory Board members receive reports and discuss the auditing methods and results of the full-time Audit & Supervisory Board members at the Audit & Supervisory Board meetings, receive explanations of management policies and growth strategies at Board of Directors meetings, and express their opinions as appropriate from their standpoint as independent auditors. Furthermore, part-time Audit & Supervisory Board members gather the information necessary to conduct audits by receiving explanations about the Company's operations and accompany the full-time Audit & Supervisory Board members on on-site audits of subsidiaries.

In order to facilitate communications between the Representative Directors and part-time Audit & Supervisory Board members, meetings are held twice a year to exchange opinions.

(Collaboration with Internal Audit Division)

Audit & Supervisory Board members aim to enhance the efficiency and effectiveness of audits by exchanging opinions and sharing audit plans and results with the Internal Audit Division.

(Collaboration with outside directors)

Regarding collaboration with outside directors, outside directors attend Audit & Supervisory Board meetings where the accounting auditor presents a report on the results of the second quarter review and the year-end audit. Additionally, liaison meetings between auditors and outside directors are held twice a year.

(Evaluation of effectiveness of audit activities)

The Audit & Supervisory Board conducts self-evaluations of the effectiveness of audit activities to accurately understand the current state of audits and the operations of the Audit & Supervisory Board, as well as to continuously improve while addressing any identified issues. These self-evaluations were conducted every other year between the 33rd and the 39th term, but starting from the 40th term, self-evaluations are conducted annually in order to facilitate improvement in a more timely fashion. In line with the Corporate Governance Code, the scope of self-evaluations has been expanded to include outside directors. Additionally, to ensure anonymity and introduce an objective perspective, the Company began to enlist third-party institutions to conduct and analyze the evaluation survey results. The evaluation results are reported to the Audit & Supervisory Board for deliberation and consensus formation for future actions, and feedback is provided to outside directors and other directors (the evaluators) for the purpose of sharing information with other directors.

[Overview of evaluation method]

The effectiveness of audit activities is determined based on self-evaluations by all auditors and assessments by outside directors. The evaluation method uses a questionnaire format, combining multiple-choice answers with areas to write comments to capture both quantitative and qualitative aspects. This approach helps to assess the effectiveness of audit activities and identify issues. The evaluation items and evaluators are as follows:

Major category	Minor category	Auditor	Outside Directors
Composition of auditors	Required skills for auditors	○	○
Operation of Audit & Supervisory Board meetings	Material distribution in advance	○	-
Environment for conducting audits	Meetings with representative directors	○	○
	Collaboration with outside directors	○	○
	Maintenance of internal whistleblowing system	○	-
	Fairness of reports of internal whistleblowing reports	○	○
Business audits	Report on audit activities of full-time Audit & Supervisory Board members	○	○
	Audits of subsidiaries	○	-
	Collaboration with Internal Audit Division	○	-
Accounting audits	Accounting audits	○	-
	Collaboration with accounting auditor	○	○
Audit methods	Creation of audit plans	○	○
Response to Corporate Governance Code	Judgment of fairness of audits by accounting auditor	○	○

[Summary of evaluation results]

The results of the survey were mostly positive, indicating that audit activities are generally effective. However, negative evaluations were also received from some part-time Audit & Supervisory Board members and outside directors in the context of “collaboration with outside directors,” “reports of audit activities by full-time Audit & Supervisory Board members,” and “judgment of fairness of audits by the accounting auditor.”

[Issues and improvements]

As a result of analyzing the items that were negatively evaluated, the Company recognized there are issues with the way that information is provided to outside directors from the full-time Audit & Supervisory Board members. As a result, from the 40th term, the Company started sharing major audit results and other relevant information on an ongoing basis. In the 41st term, the frequency of opinion exchanges between auditors and outside directors will be increased from semi-annual to quarterly meetings. This will provide more opportunities for full-time Audit & Supervisory Board members to explain important matters to outside directors.

Furthermore, the survey solicited opinions on “matters to be prioritized in future audits,” which will be used as references for the audit policies and plans from the 41st term.

ii. Status of internal audits

The internal audit function at the Company is carried out by the Internal Audit Department in the Internal Audit Division under the direct control of the President. The primary purpose is to improve to the Company's governance through risk-based internal audits, which evaluate the effectiveness of internal controls related to key risks associated with the Group's core businesses and strategies.

a. Organization, personnel, and procedures of internal audits

There are 32 people in charge of conducting internal audits (as of the date on this report), who possess diverse skills and experience to effectively conduct risk-based internal audits. Among them, 14 people hold certifications related to internal audits, such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), and Certified Public Accountant (CPA) (individuals with multiple certifications are counted once).

The results of internal audits and the status of follow-ups on previous audit findings are regularly reported to management, including the President and CEO. Additionally, annual internal audit plans and policies are approved by management.

b. Collaboration between auditors and the accounting auditor

The auditors hold regular monthly meetings to report and exchange opinions on each internal audit result and activities to ensure the quality of internal audits. Information is shared and opinions are exchanged with the accounting auditor with respect to audit plans and their results. Furthermore, information sharing and discussions are regularly held with the risk management department and departments responsible for group governance.

c. Efforts to ensure the effectiveness of internal audits

The outcome of each internal audit is reported to the Board of Directors as part of the quarterly business execution reports. Additionally, all internal audit activities are reported directly to outside directors and part-time Audit & Supervisory Board members once every six months, and discussed.

The quality of internal audits is ensured by adhering to the International Professional Practices Framework created by the Institute of Internal Auditors. In addition to internal quality assessments of the state of compliance conducted by the Internal Audit Department, an external quality assessment is conducted once every five years as a part of quality monitoring. The independence of internal audits is verified through the quality assessment process, and the results are reported to internal and external officers via the aforementioned reporting channels.

iii. Status of accounting audit

a. Name of audit firm

PricewaterhouseCoopers Japan LLC

b. Continuous audit period

32 years

Note: The aforementioned time period is the result of an investigation that took into account the period when the Company listed its shares on the stock market. Owing to the challenges of the investigation, the continuous auditing period might be longer.

c. Names of CPAs

Designated and Engagement Partner, Tetsuro Iwasaki (1 year), Ryoichi Iwasaki (6 years), Takahiro Nomura (3 years), Shinichi Shimabukuro (1 year)

d. Organization of assistants relating to the audit work

CPAs 13, Others 35

Note: Other includes people who have passed the Certified Public Accountant exam and people in charge of system audits.

e. Selection criteria and rationale for external accounting auditor

The Audit & Supervisory Board has selected PricewaterhouseCoopers Japan (former PricewaterhouseCoopers Kyoto) as an external accounting auditor, taking into comprehensive consideration the professionalism, independence, quality control system, audit implementation structure, global audit framework, and audit fees required of an accounting auditor. When the Audit & Supervisory Board determines that the accounting auditor falls under any of the items of Article 340, paragraph (1) of the Companies Act and dismissal is appropriate, the Audit & Supervisory Board shall dismiss the accounting auditor based on the unanimous consent of all Audit & Supervisory Board Members. In addition, when it is recognized that the conduct of proper audits is difficult because of the occurrence of events, etc. that damage the

eligibility or independence of accounting auditor, the Audit & Supervisory Board shall determine the content of a proposal to be submitted to a shareholders meeting regarding the dismissal or non-reappointment of the accounting auditor.

f. Evaluation of accounting auditor by Audit & Supervisory Board Members and Audit Director

In line with the Practical Guidelines for Auditors to Formulate Criteria for Evaluating and Selecting Accounting Auditors provided by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has evaluated the audit activities of PricewaterhouseCoopers Japan (former PricewaterhouseCoopers Kyoto) over the past year, based on various criteria, including quality control at the accounting auditor, the audit team, audit fees, communication with auditors, relationships with management, Group audits, and fraud risk. As a result of this evaluation, the Audit & Supervisory Board has deemed it appropriate to reappoint PricewaterhouseCoopers Japan (former PricewaterhouseCoopers Kyoto) as the accounting auditor.

g. Change in audit firm

The Company's accounting auditor has changed as follows:

39th fiscal year (consolidated and non-consolidated): PricewaterhouseCoopers Kyoto

40th fiscal year (consolidated and non-consolidated): PricewaterhouseCoopers Japan LLC

The matters contained in the Extraordinary Report are as follows:

Names of Certified Public Accountants involved in the change:

Surviving audit firm:

PricewaterhouseCoopers Japan LLC

Dissolving audit firm:

PricewaterhouseCoopers Kyoto

Date of change:

December 1, 2023

Most recent appointment year of the dissolving audit firm

1992

Note: The appointment year above was determined as the result of an examination that took into account the time when the Company was listed on the stock exchange, as it was extremely difficult to ascertain the exact year. The actual appointment year might be earlier than indicated above.

Matters regarding opinions of CPAs at dissolving audit firm related to audit reports created over the past three years

None.

Reasons and background leading to the change

The Company's accounting auditor, PricewaterhouseCoopers Kyoto (the dissolving audit firm), merged with PricewaterhouseCoopers Aarata LLC (the surviving audit firm) on December 1, 2023, and subsequently changed its name to PricewaterhouseCoopers Japan LLC on the same date. As a result, the Certified Public Accountants conducting the Company's audit certification will be from PricewaterhouseCoopers Japan LLC.

Opinions of CPAs at the dissolving audit firm on the reasons and background of this change, including matters in audit reports, etc.

The Company has been informed that there are no opinions of particular note in this regard.

iv. Details of audit fee and other

a. Audit fee and other for certified public accountants who conduct auditing, etc.

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)
KDDI	373	28	412	78
Consolidated subsidiaries	526	-	761	16
Total	900	28	1,173	94

The details of non-audit work for KDDI and its consolidated subsidiaries consist of various advisory services, etc.

- b. Compensation for the same network (PricewaterhouseCoopers) as the Company's auditing certified public accountants who conduct auditing, etc. (except a.)

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)	Compensation for audit attestation (Millions of yen)	Compensation for non-audit work (Millions of yen)
KDDI	-	340	-	398
Consolidated subsidiaries	347	204	233	100
Total	347	544	233	498

The unaudited operations of the Company and its consolidated subsidiaries include various advisory engagements.

- c. Details of compensation based on other significant audit certification services

There are no significant compensation that should be disclosed.

- d. Method for determining audit fees

The policy for determining audit fees is based on a consideration of factors that include the Company's size and the nature of its business as well as the number of days an audit requires. Audit fees are determined with the consent of the Audit & Supervisory Board.

- e. The Reasons for Audit & Supervisory Board Members Agreed to Audit fees

The Audit & Supervisory Board has confirmed the audit plan, audit details, the number of man-hours required to conduct the audit and the price per man-hour as well as having compared previous historical figures to planned figures in order to consider the reasonableness of the compensation. As a result, the Audit & Supervisory Board consents to the compensation to be paid to the accounting auditor as provided for in Article 399, paragraph (1) of the Companies Act.

(4) Compensation, etc. of corporate officers

i. Policy for Determining Content of Compensation for Individual Directors

(Method for deciding on the policy for such determination)

At the meeting of the Board of Directors held on January 14, 2021, it was resolved to adopt a policy for determining the content of compensation, etc. for individual directors (hereinafter the “Determination Policy”), considering what compensation system would best work to achieve the sustainable enhancement of corporate value over the medium to long term.

(Outline of content of Determination Policy)

- The compensation of directors engaged in business execution is based on the group's business performance for each fiscal year, progress toward the goals of the medium-term management plan, and a compensation system linked to shareholder value in order to increase the willingness to contribute to the improvement of corporate value over the medium to long term. Specifically, it consists of four types: (i) basic compensation, (ii) performance-linked bonus, (iii) performance-linked stock compensation, and (iv) stock price-linked bonus.
- We provide base pay at a fixed amount, which does not change based on performance, to outside directors who are responsible for business oversight functions but who are not responsible for business execution.
- According to the responsibilities expected of each position, the compensation composition of directors engaged in business execution has been set that the compensation portion is linked to business performance (above (ii) to (iv)) in the range of 45% to 65%. For the president, the same portion will be 60% or more based on the standard amount.
- The company has established a Compensation Advisory Committee to ensure transparency and objectivity in the process of determining system and levels for executive compensation, along with the compensation amounts based on these. The chairman, Vice-Chairman and a majority of the members of this committee are independent outside directors.
- Representative directors are not entrusted with deciding the amounts to be paid to each individual for base pay, performance-linked bonuses, performance-linked stock compensation and stock price-linked bonuses. The amounts are decided by resolution of the Board of Directors in consideration of the advice from the Remuneration Advisory Committee.
- The company's executive compensation levels are decided through comparison with sector peer companies, or with other companies of the same scale, in Japan, and take into account factors that include the business environment of the Company.

The appropriateness of the compensation levels is also validated by the Compensation Advisory Committee every year, with reference to objective survey data from an external specialized organization.

(Dates and details of the resolutions of the Shareholders Meetings regarding executive compensation)

	Type of compensation	Method of determination	Compensation limit	Date of resolution at shareholders meeting	Number of executives at the time of resolution
Director	Basic compensation	<ul style="list-style-type: none"> • Determine compensation according to the position of each director, taking into consideration the business environment and other factors. • Determine basic amounts after validating appropriateness of the compensation levels utilizing an external specialized organization 	Up to ¥50 million per month	The 30th Annual Shareholders Meeting held on June 18, 2014	13 Directors (including 3 outside directors)
	Stock price-linked bonus	Set the levels to link to “EPS growth rate” and “stock price fluctuation rate” for each fiscal year	Within 0.1% of consolidated profit (under IFRS, profit attributable to owners of the parent) for each fiscal year	The 27th Annual Shareholders Meeting held on June 16, 2011	10 Directors (excluding outside directors)
	Performance-linked bonus	Determine the levels based on “company performance,” such as operating revenue, operating income and profit, for the Group during each fiscal year, and the “KPI achievement ratios” of individual businesses, which are linked to medium-term management strategy targets	(Applicable to Directors, Executive Officers, Administrative Officers and Senior Directors) The number of points to be granted to each eligible person per fiscal year shall not exceed 400,000 points in total. (Converted at ratio of one share = one point.)	(Introduction) The 31st Annual Shareholders Meeting held on June 17, 2015 (Revision) The 34th Annual Shareholders Meeting held on June 20, 2018, the 38th Annual Shareholders Meeting held on June 22, 2022	6 Directors, 38 Executive Officers and 16 Administrative Officers 34 senior directors (excluding those living overseas, Outside Directors and part-time Directors)
	Performance-linked stock compensation				
Audit & Supervisory Board Member	Fixed compensation only	Pay only fixed-amount compensation that does not vary with the Company’s business performance.	Up to ¥160 million per fiscal year	The 38th Annual Shareholders Meeting held on June 22, 2022	5 Audit & Supervisory Board Members

(Matters Concerning Performance-Linked compensation)

■ Performance-linked bonuses and the performance-linked stock compensation use operating revenue, operating income, profit, and other measures of “company performance” for the Group during each fiscal year, along with the “KPI achievement ratio” of individual businesses, which is linked to medium-term management strategy targets, as evaluation metrics, and are calculated from the formulas below.

- Performance-linked bonus:
Basic amount by position multiplied by the Group’s operating performance and KPI achievement ratio
- Performance-linked stock compensation:
Basic points by position multiplied by the Group’s operating performance and KPI achievement ratio

The reasons for selecting each indicator and the actual figures are as follows.:

- Company performance:
Reason for selection: As these are basic figures that clearly show the performance of a company
Actual figures: As described on the consolidated financial statements in this report
- KPI achievement rate:
Reason for selection: Since this indicator measures the degree of achievement of each business strategy in the medium-term management strategy, and is linked to the Company’s business expansion and performance improvement.
Actual figures: Not disclosed for business reasons

■ Stock price-linked bonuses use “EPS growth rate” and “stock price fluctuation rate” as evaluation metrics, and are calculated from the formulas below.

- Stock price-linked bonus: Basic amount by position multiplied by coefficient
- Coefficient: (EPS growth rate multiplied by 50%) plus (Stock price fluctuation rate multiplied by 50%)
- EPS growth rate: EPS as of the end of the current fiscal year divided by EPS as of the end of the previous fiscal year
- Stock price fluctuation rate (vs. TOPIX growth rate): (Fiscal year-end stock price divided by Previous fiscal year-end stock price) divided by (Fiscal year-end TOPIX divided by Previous fiscal year-end TOPIX)

The reasons for selecting each indicator and the actual figures are as follows:

- EPS growth rate:
Reason for selection: Since this is an indicator set as a target figure for the medium-term management strategy, and is used to provide a strong incentive to achieve medium-term management strategy targets.
Actual figures: 0.97
- Stock price fluctuation rate:
Reason for selection: This indicator is directly linked to changes in shareholder value, and is adopted to enhance the linkage between executive compensation and shareholder value
Actual figures: 0.79

(Matters Concerning Non-monetary Compensation)

With regard to compensation for Directors involved in the execution of business, the Company introduced the performance-linked stock compensation (Board Incentive Plan) (“BIP Trust”) in fiscal year 2015, with the aim of motivating them to contribute to the improvement of medium- to long-term business performance and the enhancement of corporate value.

The BIP Trust is an incentive plan for officers with reference to the Performance Share System and Restricted Stock System in the U.S. Under the BIP Trust, the Company’s shares acquired through the BIP Trust are delivered to directors and other officers as officer compensation upon their retirement in accordance with their position and the degree of achievement of performance targets.

(Reason Why the Board of Directors Has Determined That Content of Compensation for Individual Directors for the Fiscal Year Under Review Complies With Determination Policy)

In determining the content of compensation for individual directors, the Compensation Advisory Committee comprehensively reviewed the draft proposal, including its consistency with the determination policy. With emphasis on the report from the Committee, the Board of Director has determined that the content is in line with the determination policy.

ii. Total amount of compensation in each officer category and number of officers eligible to receive compensation

Category	Total amount of Executive Salaries (Millions of yen)	Total amount of Executive Salaries by type (Millions of yen)			Number of eligible officers (people)
		Executive Salaries	Executive Bonuses	Stock Compensation	
Directors (excluding Outside Directors)	711	311	247	153	8
Outside Directors	112	112	-	-	7
Audit & Supervisory Board Members (exclude Outside Audit & Supervisory Board Members)	71	71	-	-	2
Outside Audit & Supervisory Board Members	67	67	-	-	3

Note: 1. The number of officers and the amount of compensation provided to the officers listed above include two directors and one outside director who resigned at the conclusion of the 39th Annual Shareholders Meeting held on June 21, 2023. Excluding these individuals, six directors are eligible to receive bonuses.

2. In addition to the above, at the 20th Annual Shareholders Meeting held on June 24, 2004, a resolution was approved to settle retirement bonus payments to directors due to the discontinuation of the director retirement bonus system.

iii. Total compensation of those receiving ¥100 million or more in compensation

Name	Classification	Company category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)		
				Base compensation	Bonus	Stock compensation
Takashi Tanaka	Director	KDDI	157	67	57	33
Makoto Takahashi	Director	KDDI	213	80	83	50
Toshitake Amamiya	Director	KDDI	109	47	38	24

Note: The aforementioned base salaries and bonuses are monetary compensation, while stock compensation is a non-monetary compensation.

(5) Shareholdings

I. Criteria and rationale for classification of investment securities

The Company has two classifications for investment securities: investment securities held purely for investment purposes, where the intent is to profit from increases in share prices or dividends, and investment securities held for purposes other than pure investment.

II. Investment securities held for purposes other than pure investment

a. Ownership policy, methods of verifying the rationale for ownership, and details of reviews by Board of Directors regarding the appropriateness of holding individual securities

The Company believes that participating in tie-ups with a variety of companies is essential to providing our customers with increasingly diverse and advanced services. The Company maintains possession of strategic shareholdings if such possession will contribute to the sustainable growth of the Group's business and the medium- to long-term increase of corporate value. Every business year, the Board of Directors reviews all the pros and cons of continuing such possession and the number of shares held for each individual strategic shareholding based on significance and economic rationale. When a strategic shareholding is found to have only tenuous significance, the Company will sell or reduce its stake as expeditiously as possible. The Company calculates the ratio of the contribution by the issuing company to its profits within the most recent fiscal year. The economic rationale is verified by comparing the ratio with the valuation of each strategic shareholding at the end of the most recent fiscal year, and confirming whether the ratio satisfies the capital cost standard established by the Company.

b. Stocks and amounts recorded on the balance sheet

	Numbers (Stock symbol)	Total amount reported on the balance sheet (Million yen)
Unlisted shares	174	44,226
Other than unlisted shares	18	249,198

Stocks that increased in number during the fiscal year under review

	Numbers (Stock symbol)	Total acquisition cost related to the increase in the number of shares (Million yen)	Reasons for the increase in the number of shares
Unlisted shares	24	3,006	New acquisition, etc.
Other than unlisted shares	5	52,252	Additional acquisition, etc.

Stocks that decreased in number during the current fiscal year

	Numbers (Stock symbol)	Total selling price related to the decrease in the number of shares (Million yen)
Unlisted shares	13	706
Other than unlisted shares	2	3,843

c. Information regarding number of shares and amounts recorded on the balance sheet for specific investment securities

Specific investment securities

Issues	Fiscal year under review	Previous fiscal year	Holding purpose, summary of business alliances, etc., quantitative holding effect (note1) and reason for the increase in the number of shares	Share-holding status of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
TOYOTA MOTOR CORPORATION	39,972,500	39,972,500	Promote R&D in communication technology and connected car technology	Yes
	151,576	75,148		
Internet Initiative Japan Inc. (Notes) 2	20,387,000	1,680,000	Expand core businesses (mobile and fixed-line) and NEXT core businesses (cloud and IoT services) in DX domain. Increase due to additional acquisition of shares	None
	57,818	4,617		
Lawson, Inc. (Notes) 3	2,110,000	2,110,000	Promote data marketing using customer bases of both companies and create new consumer experiences using advanced technologies	None
	21,807	11,837		
PIA Corporation	1,400,000	1,400,000	Create entertainment content centered on online live events and collaborate on media development	None
	4,522	4,494		
Japan Airport Terminal Co., Ltd.	609,000	609,000	Collaborate to reliably secure communication facility locations	None
	3,611	4,019		
East Japan Railway Company (Notes) 4	896,100	298,700	Strengthen telecommunications business in Eastern Japan and promote urban development and service development utilizing transportation and communication technologies. Increase in shares due to stock split.	None
	2,616	2,191		
JTOWER Inc.	553,473	553,473	Joint construction and sharing of know-how to expedite 5G network deployment	None
	2,195	2,712		
DATASECTION INC.	2,100,000	2,100,000	Reinforce solution creation in analysis domain	None
	1,531	550		
J-Stream Inc.	3,045,600	3,045,600	Reduce network costs and maintain service quality	None
	1,209	1,782		
SPACE SHOWER NETWORKS INC. (Notes) 5	1,500,000	1,500,000	Collaborate in media development and creation of entertainment content with focus on online live events	None
	740	651		
AISANTECHNOLOGY CO., LTD.	280,000	280,000	Collaborate on autonomous driving technology demonstrations and commercialization and cooperate in location positioning and drone businesses	None
	473	716		

Issues	Fiscal year under review	Previous fiscal year	Holding purpose, summary of business alliances, etc., quantitative holding effect (note1) and reason for the increase in the number of shares	Share-holding status of the Company																																														
	Number of shares (Shares)	Number of shares (Shares)																																																
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)																																																
ispace, inc. (Notes) 6	524,380	-	Collaborate in space business, jointly research lunar landing communication technology and installation of lunar base stations Increase due to the new listing of previously held unlisted shares.	None																																														
	443	-			Sockets Inc.	240,000	240,000	Enhance service quality using data technology	None	259	254	ELEMENTS, Inc.	236,000	236,000	Improve service quality through use of personal authentication technology	None	226	270	Mynd.ai Inc (Notes) 7	1,004,780	-	Invest through corporate venture capital Collaborate in DX for overseas educational settings Increase due to stock swap	None	69	-	CREEMA LTD.	159,800	311,400	Invest through corporate venture capital Expand customer touchpoints through introduction of Smart Pass and Easy Payment services Decrease due to partial sale of shares	None	51	161	Veritas In Silico Inc. (Notes) 8	20,000	-	Invest through corporate venture capital Acquire knowledge about RNA and genome data for the Company and the Group Increase due to new listing of previously held unlisted shares	None	40	-	Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-
Sockets Inc.	240,000	240,000	Enhance service quality using data technology	None																																														
	259	254			ELEMENTS, Inc.	236,000	236,000	Improve service quality through use of personal authentication technology	None	226	270	Mynd.ai Inc (Notes) 7	1,004,780	-	Invest through corporate venture capital Collaborate in DX for overseas educational settings Increase due to stock swap	None	69	-	CREEMA LTD.	159,800	311,400	Invest through corporate venture capital Expand customer touchpoints through introduction of Smart Pass and Easy Payment services Decrease due to partial sale of shares	None	51	161	Veritas In Silico Inc. (Notes) 8	20,000	-	Invest through corporate venture capital Acquire knowledge about RNA and genome data for the Company and the Group Increase due to new listing of previously held unlisted shares	None	40	-	Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-	None	-	5,520				
ELEMENTS, Inc.	236,000	236,000	Improve service quality through use of personal authentication technology	None																																														
	226	270			Mynd.ai Inc (Notes) 7	1,004,780	-	Invest through corporate venture capital Collaborate in DX for overseas educational settings Increase due to stock swap	None	69	-	CREEMA LTD.	159,800	311,400	Invest through corporate venture capital Expand customer touchpoints through introduction of Smart Pass and Easy Payment services Decrease due to partial sale of shares	None	51	161	Veritas In Silico Inc. (Notes) 8	20,000	-	Invest through corporate venture capital Acquire knowledge about RNA and genome data for the Company and the Group Increase due to new listing of previously held unlisted shares	None	40	-	Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-	None	-	5,520											
Mynd.ai Inc (Notes) 7	1,004,780	-	Invest through corporate venture capital Collaborate in DX for overseas educational settings Increase due to stock swap	None																																														
	69	-			CREEMA LTD.	159,800	311,400	Invest through corporate venture capital Expand customer touchpoints through introduction of Smart Pass and Easy Payment services Decrease due to partial sale of shares	None	51	161	Veritas In Silico Inc. (Notes) 8	20,000	-	Invest through corporate venture capital Acquire knowledge about RNA and genome data for the Company and the Group Increase due to new listing of previously held unlisted shares	None	40	-	Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-	None	-	5,520																		
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	51	161			Veritas In Silico Inc. (Notes) 8	20,000	-	Invest through corporate venture capital Acquire knowledge about RNA and genome data for the Company and the Group Increase due to new listing of previously held unlisted shares	None	40	-	Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-	None	-	5,520																									
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	40	-			Pixie Dust Technologies, Inc. (Notes) 9	28,200	-	Invest through corporate venture capital Strengthen use cases for new interactions in 5G era utilizing visual, auditory, and tactile senses, and promote a futuristic, advanced and innovative business Increase due to new listing of previously held unlisted shares	None	15	-	GREE, Inc.	-	8,000,000	-	None	-	5,520																																
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	15	-			GREE, Inc.	-	8,000,000	-	None	-	5,520																																							
GREE, Inc.	-	8,000,000	-	None																																														
	-	5,520																																																

(Notes) 1. The quantitative impact of owning specific investment securities is highly confidential information, making its disclosure a challenge, so the method used to evaluate the rationale of such holdings is explained here. The Company, through the Board of Directors, comprehensively assesses whether each strategic shareholding contributes to the Company's business objectives and whether this contribution will translate into sustainable growth and corporate value enhancement for the entire Group. The significance and economic rationale of these strategic shareholdings are evaluated from this perspective. Based on this approach, the Company has confirmed that each strategic shareholding is aligned with the intended purposes of ownership.

2. On May 25, 2023, the Company acquired additional shares in Internet Initiative Japan, Inc.

3. On March 28, 2024, the Company commenced a tender offer for shares in Lawson, Inc. based on the Financial Instruments and Exchange Act, and turned it into an equity-method affiliate on May 7, 2024.

4. On March 29, 2024, East Japan Railway Company executed a 1-to-3 stock split for common stock.

5. On April 1, 2024, Space Shower Networks Inc. changed its name to Space Shower SKIYAKI Holdings Inc.
6. ispace, inc. listed on April 12, 2023.
7. The Company sold all its shareholdings from April 1, 2024, and owns no shares as of the date of this Securities Report.
8. Veritas In Silico Inc. listed on February 8, 2024.
9. Pixie Dust Technologies, Inc. listed on August 1, 2023.

III. Investment securities held purely for investment purposes

The Company does not have any investment securities held purely for investment purposes.

Item5. Financial Information

1 Basis of Preparation of the Consolidated Financial Statements

- (1) Pursuant to the provision of Article 93 of the “Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance of Japan No. 28 of 1976), the Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Amounts in the consolidated financial statements in this report are rounded to the nearest million yen.
- (2) The non-Consolidated Financial Statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Rules on Financial Statements") and the "Telecommunications Business Accounting Regulations" (Ministry of Posts and Telecommunications Ordinance No. 26 of 1985). Amounts in the consolidated financial statements in this report are rounded to the nearest million yen.

2 Auditor’s Report

The consolidated and the non-consolidated financial statements for FY2023 (from April 1, 2023 to March 31, 2024) were audited by PwC Japan, in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act. Additionally, PwC Kyoto, which has traditionally provided audit certification for our company, merged with PwC Arata on December 1, 2023, and changed its name to PwC Japan.

3 Special Measures to Ensure the Appropriateness of the Consolidated Financial Statements and Structures to Properly Prepare the Consolidated Financial Statements in Accordance with IFRS

The Company undertakes special measures to ensure the appropriateness of the consolidated financial statements and put in place a structure to properly prepare the consolidated financial statements in accordance with IFRS.

- (1) The Company is a member of organizations such as the Financial Accounting Standards Foundation in order to put in place a system in which the Group can ensure that it has an appropriate grasp on the contents of the accounting standards and can accurately respond to any changes in them.
- (2) With respect to the application of IFRS, the Company obtains press releases and statements of the accounting principles published by the International Accounting Standards Board from time to time in order to gain an understanding of the most recent standards. Furthermore, to prepare appropriate consolidated financial statements in accordance with IFRS, the Group developed group accounting policies and accounting guidelines in compliance with IFRS and conducts its accounting in accordance with those policies and guidelines.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

i. Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Assets			
Non-current assets:			
Property, plant and equipment	6,8	2,595,721	2,786,933
Right-of-use assets	8,36	393,935	425,173
Goodwill	7,8	541,058	568,134
Intangible assets	7,8	1,048,396	1,062,683
Investments accounted for using the equity method	9	261,169	301,037
Long-term loans for financial business	32,33	2,038,403	3,200,059
Securities for financial business	32,33	411,063	413,767
Other long-term financial assets	12,32,33	304,106	391,453
Retirement benefit assets	17	62,911	5,096
Deferred tax assets	16	12,203	17,948
Contract costs	25	637,534	685,310
Other non-current assets	13	29,924	36,678
Total non-current assets		8,336,424	9,894,271
Current assets:			
Inventories	10	99,038	91,290
Trade and other receivables	11,25,32	2,445,250	2,702,152
Short-term loans for financial business	32,33	304,557	367,593
Call loans	32	53,944	28,237
Other short-term financial assets	12,32,33	60,158	30,662
Income tax receivables		2,663	2,384
Other current assets	13	141,236	142,263
Cash and cash equivalents	14	480,252	887,207
Total current assets		3,587,098	4,251,789
Total assets		11,923,522	14,146,060

(Unit: Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and Equity			
Liabilities			
Non-current liabilities :			
Borrowings and bonds payable	15,32,33	914,233	1,577,370
Long-term deposits for financial business	32,33	64,829	112,730
Lease liabilities	32,36	286,437	292,003
Other long-term financial liabilities	19,32,33	10,309	10,166
Retirement benefit liabilities	17	11,739	11,801
Deferred tax liabilities	16	188,101	235,723
Provisions	20	52,414	47,800
Contract liabilities	25	76,258	81,674
Other non-current liabilities	21	12,366	11,804
Total non-current liabilities		1,616,687	2,381,071
Current liabilities :			
Borrowings and bonds payable	15,32,33	337,961	407,013
Trade and other payables	18,32	801,927	899,125
Short-term deposits for financial business	32,33	2,652,723	3,713,407
Call money	32	-	37,972
Cash collateral received for securities lent	15,32	244,111	263,157
Lease liabilities	32,36	112,805	118,016
Other short-term financial liabilities	19,32,33	6,894	7,762
Income taxes payables		129,404	161,152
Provisions	20	25,398	21,953
Contract liabilities	25	82,242	84,947
Other current liabilities	21	242,712	253,257
Total current liabilities		4,636,176	5,967,762
Total liabilities		6,252,863	8,348,833
Equity			
Equity attributable to owners of the parent			
Common stock	23	141,852	141,852
Capital surplus	23	279,371	310,587
Treasury stock	23	(545,833)	(845,093)
Retained earnings	23	5,220,504	5,522,578
Accumulated other comprehensive income	23	32,394	123,438
Total equity attributable to owners of the parent		5,128,288	5,253,362
Non-controlling interests	38	542,370	543,864
Total equity		5,670,659	5,797,226
Total liabilities and equity		11,923,522	14,146,060

ii. Consolidated Statement of Income

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Operating revenue	25	5,671,762	5,754,047
Cost of sales	26	3,260,030	3,323,514
Gross profit		2,411,731	2,430,533
Selling, general and administrative expenses	26	1,408,391	1,503,680
Other income	27	71,629	32,951
Other expense	27	3,790	8,165
Share of profit of investments accounted for using the equity method	9	6,213	9,945
Operating income		1,077,393	961,584
Finance income	28	10,175	21,866
Finance cost	28	8,658	10,215
Other non-operating profit and loss	29	612	19,490
Profit for the year before income tax		1,079,523	992,725
Income tax	16	339,484	336,621
Profit for the year		740,039	656,104
Profit for the year attributable to:			
Owners of the parent		679,113	637,874
Non-controlling interests		60,926	18,230
Profit for the year		740,039	656,104
Earnings per share attributable to owners of the parent	35		
Basic earnings per share (yen)		311.01	301.26
Diluted earnings per share (yen)		310.88	301.18

iii. Consolidated Statement of Comprehensive Income

		(Unit: Millions of yen)	
	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year		740,039	656,104
Other comprehensive income			
Items that will not be transferred subsequently to profit or loss			
Remeasurements of defined benefit pension plans	17,30	12,526	(40,934)
Changes measured in fair value of financial assets through other comprehensive income	30,32	(24,837)	60,123
Share of other comprehensive income of investments accounted for using the equity method	9,30	(555)	(406)
Total		(12,865)	18,783
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of cash flow hedge	30,32	(1,042)	2,266
Translation differences on foreign operations	30	19,935	42,036
Share of other comprehensive income of investments accounted for using the equity method	9,30	1,672	(17)
Total		20,565	44,284
Total other comprehensive income		7,700	63,068
Total comprehensive income for the year		747,738	719,172
Total comprehensive income for the year attributable to:			
Owners of the parent		680,084	690,726
Non-controlling interests		67,655	28,446
Total		747,738	719,172

Note: Items in the statement above are presented after income tax.

iv. Consolidated Statement of Changes in Equity
For the year ended March 31, 2023

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity	
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			Total
As of April 1, 2022		141,852	279,371	(299,827)	4,818,117	43,074	4,982,586	528,077	5,510,663
Cumulative effects of changes in accounting policies		-	-	-	3,682	348	4,030	-	4,030
Restated balance		141,852	279,371	(299,827)	4,821,799	43,422	4,986,617	528,077	5,514,694
Comprehensive income									
Profit for the year		-	-	-	679,113	-	679,113	60,926	740,039
Other comprehensive income		-	-	-	-	971	971	6,729	7,700
Total comprehensive income		-	-	-	679,113	971	680,084	67,655	747,738
Transactions with owners and other transactions		-	-	-					
Cash dividends	24	-	-	-	(288,394)	-	(288,394)	(46,225)	(334,618)
Transfer of accumulated other comprehensive income to retained earnings		-	-	-	11,999	(11,999)	-	-	-
Purchase and disposal of treasury stock	23	-	(41)	(250,152)	-	-	(250,192)	-	(250,192)
Retirement of treasury stock	23	-	(5,313)	5,313	-	-	-	-	-
Transfer from retained earnings to capital surplus		-	4,014	-	(4,014)	-	-	-	-
Changes in interests in subsidiaries		-	(445)	-	-	-	(445)	(7,137)	(7,582)
Other		-	1,786	(1,167)	-	-	619	-	619
Total transactions with owners and other transactions		-	1	(246,005)	(280,408)	(11,999)	(538,412)	(53,361)	(591,773)
As of March 31, 2023		141,852	279,371	(545,833)	5,220,504	32,394	5,128,288	542,370	5,670,659

For the year ended March 31, 2024

(Unit: Millions of yen)

	Equity attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Notes	Common stock	Capital surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income			
As of April 1, 2023		141,852	279,371	(545,833)	5,220,504	32,394	5,128,288	542,370	5,670,659
Comprehensive income									
Profit for the year		-	-	-	637,874	-	637,874	18,230	656,104
Other comprehensive income		-	-	-	-	52,852	52,852	10,216	63,068
Total comprehensive income		-	-	-	637,874	52,852	690,726	28,446	719,172
Transactions with owners and other transactions									
Cash dividends	24	-	-	-	(297,607)	-	(297,607)	(71,450)	(369,057)
Transfer of accumulated other comprehensive income to retained earnings		-	-	-	(38,192)	38,192	-	-	-
Purchase and disposal of treasury stock	23	-	(66)	(300,000)	-	-	(300,066)	-	(300,066)
Changes in ownership interests in subsidiaries		-	46,544	-	-	-	46,544	30,333	76,877
Changes in interests in subsidiaries		-	(15,098)	-	-	-	(15,098)	14,055	(1,043)
Other		-	(164)	739	-	-	575	110	685
Total transactions with owners and other transactions		-	31,216	(299,261)	(335,799)	38,192	(565,652)	(26,953)	(592,605)
As of March 31, 2024		141,852	310,587	(845,093)	5,522,578	123,438	5,253,362	543,864	5,797,226

v. Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities			
Profit for the year before income tax		1,079,523	992,725
Depreciation and amortization	6,7	697,152	687,349
Impairment loss	8	2,354	9,607
Loss allowance		3,772	100,067
Share of (profit) loss of investments accounted for using the equity method	9	(6,213)	(9,945)
Loss (gain) on sales of non-current assets		(1,581)	(579)
Interest and dividends income	28	(9,914)	(8,075)
Interest expenses	28	7,142	8,813
(Increase) decrease in trade and other receivables		(108,567)	(243,859)
Increase (decrease) in trade and other payables		5,396	78,290
(Increase) decrease in loans for financial business		(752,583)	(1,223,112)
Increase (decrease) in deposits for financial business		500,047	1,108,586
Increase (decrease) in borrowings for financial business		(5,400)	410,000
(Increase) decrease in Call loans		(8,881)	25,707
Increase (decrease) in Call money		(141,348)	37,972
Increase (decrease) in cash collateral received for securities lent		244,111	19,046
(Increase) decrease in inventories		(24,421)	7,635
(Increase) decrease in retirement benefit assets		(18,190)	57,815
Increase (decrease) in retirement benefit liabilities		(757)	(733)
Other		(99,947)	(81,572)
Cash generated from operations		1,361,693	1,975,739
Interest and dividends received		13,468	11,903
Interest paid		(6,768)	(8,526)
Income tax paid		(292,659)	(274,993)
Income tax refund		3,134	2,376
Net cash provided by (used in) operating activities		1,078,869	1,706,498

		(Unit: Millions of yen)	
	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from investing activities			
Purchases of property, plant and equipment		(394,652)	(523,940)
Proceeds from sales of property, plant and equipment		3,754	413
Purchases of intangible assets		(239,473)	(225,590)
Purchases of securities for financial business		(385,468)	(368,055)
Proceeds from sales and redemption of securities for financial business		311,511	324,702
Purchases of other financial assets		(8,900)	(60,854)
Proceeds from sales and redemption of other financial assets		1,892	8,317
Payments for acquisition of subsidiaries		-	(6,659)
Proceeds from acquisition of subsidiaries	4	-	27,450
Purchases of stocks of associates		(9,847)	(1,848)
Proceeds from sales of stocks of subsidiaries and associates		-	3,481
Other		(11,297)	(9,849)
Net cash provided by (used in) investing activities		(732,480)	(832,433)
Cash flows from financing activities			
Net increase (decrease) of short-term borrowings	31	49,983	123,626
Proceeds from issuance of bonds and long-term borrowings	31	200,000	416,000
Payments from redemption of bonds and repayments of long-term borrowings	31	(200,500)	(219,020)
Repayments of lease liabilities	31	(128,288)	(128,974)
Payments from purchase of subsidiaries' equity from non-controlling interests		(7,002)	(4,741)
Proceeds from stock issuance to non-controlling interests		49	16,938
Repayments to non-controlling interests		-	(11,434)
Payments from purchase of treasury stock	23	(250,152)	(300,000)
Proceeds from sales of treasury stock		-	0
Cash dividends paid		(287,117)	(297,575)
Cash dividends paid to non-controlling interests		(46,810)	(71,297)
Other		(0)	(1)
Net cash provided by (used in) financing activities		(669,837)	(476,477)
Effect of exchange rate changes on cash and cash equivalents	31	7,087	9,367
Net increase (decrease) in cash and cash equivalents	31	(316,361)	406,955
Cash and cash equivalents at the beginning of the year	14,31	796,613	480,252
Cash and cash equivalents at the end of the year	14,31	480,252	887,207

[Notes to Consolidated Financial Statements]

1. Reporting entity

KDDI CORPORATION (“the Company”) was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of the headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company’s consolidated financial statements as of and for the year ended March 31, 2024 comprise the Company and its consolidated subsidiaries (“the Group”) and the Group’s interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group’s major business and activities are “Personal Services” and “Business Services”. For the details, please refer to “(1) Outline of reportable segments” of “5. Segment information.”

2. Basis of preparation

(1) Compliance of consolidated financial statements with IFRSs

The Group’s consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the consolidated statement of financial position:

- Derivative assets and derivative liabilities (measured at fair value)
- Financial assets or financial liabilities at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Assets and liabilities related to defined benefit plan (measured at the present value of the defined benefit obligations, net of the fair value of the plan asset)

(3) Presentation currency and unit of currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company’s business activities (“functional currency”), and are rounded to the nearest million yen.

(4) Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management’s best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

i. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, and right-of-use assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset’s future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis in principle to reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. The intangible assets related to the customer relationships are amortized over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets are described in “3. Material accounting policies (5) Property, plant and equipment, (7) Intangible assets and (8) Leases.”

ii. Impairment of property, plant and equipment, intangible assets including goodwill and right-of-use assets

The Group conducts impairment tests to property, plant and equipment, intangible assets including goodwill and right-of-use assets. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors

as an asset's useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in "3. Material accounting policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets" and "8. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets."

iii. Evaluation of inventories

Inventories are measured at historical cost. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where NRV drops as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in "3. Material accounting policies (15) Inventories" and "10. Inventories."

iv. Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in "3. Material accounting policies (24) Income taxes" and "16. Deferred tax and income taxes."

v. Measurement of defined benefit obligations

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is a possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in "3. Material accounting policies (16) Employee benefits" and "17. Employee benefits."

vi. Collectability of trade and other receivables

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts recognized the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in "3. Material accounting policies (12) Impairment of financial assets" and "32. Financial Instruments."

vii. Valuation technique of financial assets at fair value without quoted prices in active markets

The Group has used valuation techniques to utilize the inputs unobservable in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in "3. Material accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting" and "33. Fair value of financial instruments."

viii. Provisions

The Group recognizes provisions, including asset retirement obligations and provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions, which may have a material impact on the Group's consolidated financial statements in future periods.

The nature and amount of recognized provisions are stated in “3. Material accounting policies (17) Provisions” and “20. Provisions.”

(5) Application of new standards and interpretations

The Group applies the new standards and interpretations listed below from the fiscal year ended March 31, 2024.

• IFRS 17 “Insurance Contracts”

IFRS		New or revised content
IFRS17	Insurance Contracts	Revision of insurance contracts

The Group has adopted IFRS 17 "Insurance Contracts" (hereinafter referred to as "IFRS 17") from the fiscal year ended March 31, 2024.

The Group has retrospectively applied IFRS 17 in accordance with the following transitional requirements at the transition date:

- Identify, recognize and measure each group of insurance contracts as if IFRS 17 had always been applied
- Derecognize any existing balances that would not exist had IFRS 17 always been applied
- Recognize any resulting net difference in equity

In IFRS 17, the Group classifies contracts that involve significant insurance risks as insurance contracts. We have applied the premium allocation approach for insurance contracts issued and reinsurance contracts held in the non-life insurance business. We have applied the general measurement model for insurance contracts issued and reinsurance contracts held in the life insurance business.

Regarding insurance finance income or expenses, we include the amount calculated by regularly allocating the total expected finance income or expenses over the duration of group of insurance contracts in the net profit or loss, and the difference between the amount measured when applying the book value of group of insurance contracts and the regular allocation is recorded as other comprehensive income.

The Group has applied the full retrospective approach to the group of insurance contracts issued in the non-life and life insurance businesses, recognizing and measuring them as if IFRS 17 had always been applied.

The Group has applied transitional requirements for IFRS 17 and has not disclosed the impact of IFRS 17 on each financial statement item and earnings per share. The impact of the adoption of IFRS 17 on condensed interim consolidated financial statements as of April 1, 2022 is shown in condensed interim consolidated statement of changes in equity.

(6) Standards not yet adopted

The following is a list of newly established or revised standards and interpretations that have been disclosed prior to the approval date of the consolidated financial statements, but have not been early adopted by the Group. The impact on the consolidated financial statements of the Group is currently under evaluation.

Standard	The title of Standard	Mandatory adoption (from the fiscal year beginning)	To be adopted by the Group from	Outline of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	The new standard that replaces IAS 1 on Presentation of Financial Statements and Disclosure in the current accounting standards

3. Material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. An entity is consolidated as the Group controls it when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is obtained and deconsolidated from the date when control is lost.

Intragroup balances and transactions, and unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements.

The accounting policies of subsidiaries have been changed to conform to the Group’s accounting policies, when necessary.

(b) Changes in ownership interest in a subsidiary that do not result in a change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for by the Group as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests without losing control are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date.

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost, its amount is adjusted to recognize the Group's share of the profit or loss, and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized or tested for impairment separately. The gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates on a quarterly basis whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence exists that the investments in associates are impaired, those investments are tested for impairment. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group has joint control of a business or entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For the purpose of accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes the fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for

acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is less than the fair value of acquired subsidiary's net assets, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. Functional currency and presentation currency

Foreign currency transactions of each Group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate as of the date when their fair values are measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of equity instruments measured through other comprehensive income and qualifying cash flow hedges are recognized as other comprehensive income.

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless the exchange rates fluctuate significantly during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment of the Group is measured on a historical cost basis and carried at its cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

The estimated useful lives of major components of property, plant and equipment are as follows:

Communication equipment	
Machinery	9-15 years
Antenna equipment	10-42 years
Toll and local line equipment	6-27 years
Other equipment	9-27 years
Buildings and structures	10-38 years
Others	5-22 years

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

iii. Derecognition

Property, plant, and equipment is derecognized upon disposal. The profit or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

(6) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquiree on the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to “3. Material accounting policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets.”

(7) Intangible assets

i. Recognition and measurement

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure can be measured reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, and the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as an expense when it is incurred.

ii. Depreciation and useful lives

Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows. Intangible assets with indefinite useful lives are not amortized.

Software	5-10 years
Customer relationships	4-30 years
Assets related to program supply	22 years
Spectrum migration cost	9-17 years
Others	5-20 years

The amortization methods and estimated useful lives are reviewed at the end of each reporting period, and if there are any

changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Leases

At the inception of the lease, the Group determines whether the lease includes a lease or lease. Whether or not the contract includes a lease is determined based on whether or not the right to control the use of the identified asset is transferred to the consideration and exchange for a certain period.

When the contract includes a lease, right-of-use assets are initially recognized at the amount calculated by adding or subtracting the initial direct cost to the initial use of the lease liability. Lease liabilities are initially recognized at the present value of lease payments that are not paid at the inception of the lease.

Right-of-use assets are depreciated using the straight-line method over the period from the inception of the lease to the end of the useful life of the assets or the end of the lease term, whichever is earlier.

Lease liabilities are subsequently measured at an amount that reflects the interest rate on the lease liability, the lease payments made and, where applicable, the review of the lease liability or any change in the terms of the lease.

(9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment, identifiable intangible assets and right-of-use assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken annually or more frequently if events or circumstances indicate that they might be impaired. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For assets other than goodwill, the Group determines at the end of each reporting period whether there is any indication that an impairment loss recognized in prior years has decreased or been extinguished. An impairment loss is reversed when there is an indication that the impairment loss may be reversed and there has been a change in the estimates used to determine an asset's recoverable amount. When an impairment loss recognized is reversed, the carrying amount of the asset or cash-generating unit is increased to its updated estimated recoverable amount. A reversal of an impairment loss is recognized, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into "Assets held for sale." To qualify for classification as "non-current assets held for sale", the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. In addition, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets held for sale are measured at the lower of its "carrying amount" and "fair value less cost to sell." Property, plant and equipment and intangible assets classified as "assets held for sale" are not depreciated or amortized.

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

The classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, equity instruments measured at

fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following conditions is classified as a financial asset measured at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Equity instruments measured at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.

An equity instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when an equity instrument is derecognized or its fair value substantially decreased.

Dividends are recognized in profit or loss.

(iii) Debt instruments measured at fair value through other comprehensive income

If financial assets meet the following conditions, they are categorized as debt instruments measured at fair value through other comprehensive income.

If the assets are owned for the purposes of both sale and recovery of cash flow in line with an agreement for the financial assets in the Group's business model

If the assets generate cash flows from only the payment of interest related to principal and principal balance on the dates specified by the agreement conditions

Debt instruments measured at fair value through other comprehensive income are initially recognized at fair value (including directly attributable transaction expenses). After initial recognition, they are measured at fair value, and the change in fair value is classified to other comprehensive income as "financial assets measured at fair value through other comprehensive income."

If recognition is suspended, the cumulative amount of profit or loss recognized through other comprehensive income is reclassified as net income or loss.

(iv) Financial assets measured at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets

The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability

measured at amortized cost. A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged, cancelled, or expired.

iii. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as provision for doubtful receivables (non-trade receivables) when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for such remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, the following factors are considered. However, the Group always measures provision for trade receivables, which do not include any material financial component at an amount equal to lifetime expected credit losses.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue information)

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.

(13) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as on the date that derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts, foreign exchange swaps and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assesses whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

- (i) There is an economic relationship between the hedged item and the hedging instrument.
- (ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.
- (iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. Cumulative profit or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affect profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, hedge accounting will be discontinued in cases where it no longer meets the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative profit or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, the accumulated amount of profit or loss

recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials / work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(16) Employee benefits

i. Post-employment benefits

The Group has adopted a defined benefit plan and a defined contribution plan as post-employment benefit plans for its employees.

(a) Defined benefit plans

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets. This figure is recognized by adjusting the amount related to the maximum asset value as needed with consideration given to the usable economic benefits. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which corresponds to the estimated timing and amount of future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service costs are recognized as profit or loss.

The Group recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

(b) Defined contribution plans

Contributions to the defined contribution plans are recognized as expenses for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

ii. Short-term employee benefits

Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled and recognized as an expense. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Unwinding of the discount over time is recognized in finance cost.

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated

number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payments and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Group at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Group granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

Common stock is classified as equity. Proceeds from the Company's issuance of common shares are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. Mobile telecommunications services

The Group generates revenue mainly from its mobile telecommunications services (including UQ mobile and MVNO services) and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and sells mobile handsets to its distributors.

Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunication service fees"), and commission fees such as activation fees. Revenue from the mobile telecommunication service fees and commission fees are recognized on a flat-rate basis and on a measured-rate basis when the services are provided to the customers, which is when the service is provided to the customer in accordance with contract and the performance obligation is fulfilled. Discounts of communication charges are deducted from the mobile telecommunications service fees on a monthly basis.

Furthermore, the consideration for transactions related to revenue from mobile telecommunications services is received within approximately one month of the billing date.

Revenue from the sale of mobile handsets comprises proceeds from the sale of mobile handsets and accessories to customers or distributors.

The business flows of the above transactions consist of "indirect sales," wherein the Company sells mobile handsets to distributors and enters into communications service contracts with customers through those distributors, and "direct sales," wherein the Company and certain subsidiaries of the Company sell mobile handsets to customers and enter into communications service contracts directly with the customers. Revenue in each case is recognized as described below.

Revenue from the sale of mobile handsets is received within approximately one month following the sale to the distributor or other vendor.

1) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Group sells to the distributors, the Group considers distributors as the principals in each transaction. Revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors, which is when control over the mobile handsets is transferred to the distributor and the performance obligation is fulfilled. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

2) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's stand-alone selling prices. The amount allocated to mobile handset sales is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. Stand-alone selling prices for mobile handsets and mobile telecommunications service revenues are the prices that would be observable if mobile handsets and mobile telecommunications service were sold to customers independently at the inception of the contract. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.

In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon

entering into the contract. They are not recognized as a separate performance obligation, but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist. The consideration of these transactions is received in advance, when the contract is signed.

Points granted to customers through the customer loyalty program are allocated to transaction prices based on the stand-alone selling prices of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

ii. Fixed-line telecommunications services (including the CATV business)

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission, FTTH services, CATV services and related installation fees.

The above revenue, excluding installation fee revenue, is recognized when the service is provided, which is when the service is provided to the customer in accordance with contract and the performance obligation is fulfilled. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received within approximately one month of the billing date.

iii. Value-added services

Revenue from value-added services mainly comprises revenue from information fees, revenue from commission on transfer of receivables, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc.

Revenue from information fees comprises the revenue from membership fees for the content provided to customers on websites that the Group operates or that the Group jointly operates with other entities and the performance obligation is fulfilled over the period in which the service is provided. Revenue from commission on transfer of receivables comprises the revenue from fees for collecting the receivables of content providers from customers as the agent of content providers together with the telecommunication fees and the performance obligation is fulfilled when the Group collects the receivables. Electric power revenue comprises the revenue generated from electric power retail services and the performance obligation is fulfilled when the Group provides the services.

These revenues are recognized over the period in which the service is provided based on the nature of each contract since the performance obligations identified based on the contract with customer are fulfilled over time or when the Group provides the service.

The Group may act as an agent in a transaction. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less payments paid to a third party. The Group evaluates whether the Group has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, latitude in establishing prices, and the credit risk. However, the presentation being on a gross basis or a net basis does not affect profit for the year.

The Group considers itself an agent for commission on transfer of receivables, advertisement services and certain content services described above because it earns only commission income based on pre-determined rates, does not have the authority to set prices and solely provides a platform for its customers to perform content-related services. The Group thus does not control the service before control is transferred to the customer. Therefore, revenue from these services is presented on a net basis.

The consideration for these transactions is received within approximately one to three months after the performance obligation has been fulfilled.

iv. Solution services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services (“the solution service income”). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.

Payment for any performance obligation is received within approximately one month of the billing date.

v. Global services

Global services mainly comprise solution services, data center services and mobile telephone services.

Revenue from data center services comprise the service charges the Group receives for using space, electricity, networks or other amenities at its self-operated data centers in locations around the world. In general, contracts cover more than one year, and revenue is recognized for the period over which the services are provided.

The consideration for these transactions is billed before the performance obligation is fulfilled and is received within approximately one month of billing.

Revenue from mobile telephone services comprises revenue from mobile handsets and mobile telecommunication services. Revenue from the sale of mobile handsets is recognized at the time of sale of the handsets, when the performance obligation is determined to have been fulfilled. Revenue from mobile telecommunication services is recognized at the time the services are provided to the customer, when the performance obligation is determined to have been fulfilled.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates, and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax base, and tax loss carry forwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities from transactions (excluding business combination transactions) not generating taxable or deductible temporary differences at the time of transaction and not affecting accounting income (loss) or taxable income (loss); and
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carry forwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and some domestic subsidiaries applied for approval of a Group tax sharing system in the consolidated financial year under review and will adopt this system from the following consolidated fiscal year. As a result, the aforementioned entities apply tax effect accounting that assumes the adoption of the Group tax sharing system from the end of the consolidated fiscal year under review.

(25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common shares outstanding during the reporting period, adjusted for the number of treasury shares acquired. For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common shares outstanding, adjusted for the number of treasury shares, are further adjusted based on the assumption that all dilutive potential common shares are fully converted. Potential common stocks of the Company are related to the BIP trust and ESOP trust.

(27) Insurance Contracts

In IFRS 17, the Group classifies contracts that involve significant insurance risks as insurance contracts. We have applied the premium allocation approach for insurance contracts issued and reinsurance contracts held in the non-life insurance business. We have applied the general measurement model for insurance contracts issued and reinsurance contracts held in the life insurance business.

Regarding insurance finance income or expenses, we include the amount calculated by regularly allocating the total expected finance income or expenses over the duration of group of insurance contracts in the net profit or loss, and the difference between the amount measured when applying the book value of group of insurance contracts and the regular allocation is recorded as other comprehensive income.

4. Business combination

Acquisition of Relia, Inc. and Business Integration of KDDI Evolva, Inc. and the Relia Group

(1) Outline of the Business Integration

On September 1, 2023, the Company's wholly owned subsidiary KDDI Evolva, Inc. (KDDI Evolva) and Mitsui & Co., Ltd.'s (Mitsui) equity method affiliate Relia, Inc. (Relia) underwent a business integration (the "Business Integration") based on a spirit of equal partnership and launched Altius Link, Inc. (Altius Link)

- ① Mitsui established Otemachi Holdings G.K. on January 6, 2023. Otemachi Holdings G.K. made a tender offer for all of Relia's common stock*¹ to facilitate the Business Integration from May 30, 2023.
- ② Following the launch of the Tender Offer, Otemachi Holdings G.K. and Mitsui implemented a squeeze-out procedure, issuing a demand for a share cash-out so that it can claim full ownership of all Relia's shares of the common stock.*²
- ③ After the completion of the squeeze-out procedure, an absorption-type merger was executed between Relia and Otemachi Holdings G.K. on August 31, 2023 wherein Relia was the surviving company and Otemachi Holdings G.K. was the absorbed company (Merger No.1").
- ④ After Merger No. 1 became effective, an absorption-type merger was executed on September 1, 2023 wherein KDDI Evolva was the surviving company and Relia was the absorbed company ("Merger No. 2"), with a merger ratio such that KDDI and Mitsui respectively own 51.0% and 49.0% of the voting rights.

With the utmost respect for the corporate culture and management autonomy that KDDI Evolva and Relia have fostered, both KDDI and Mitsui will support any decisions regarding new measures enacted to enhance the corporate value of Altius Link.

*1. Excluding Relia shares owned by Mitsui and treasury shares (if any) owned by Relia.

*2. Excluding treasury shares (if any) owned by Relia.

(2) Main Reasons for Conducting the Business Integration

In recent years, the importance of BPO*³ has been increasing due to a shortage of human resources caused by a decrease in the working population and corporate work style reforms. In addition, the need for DX (digital transformation) is increasing across companies and society, and the accelerating pace of digitalization is becoming notable, leading to the BPO industry itself entering a period of structural change. As a result, there is a need to upgrade services and expand business domains in response to the diversification of customer needs and changes in corporate activities. KDDI and Mitsui decided to implement the Business Integration in response to this environment, looking to strengthen contact center services, provide services to resolve customers' business issues, and achieve further customer success. The Business Integration will combine the DX promotion service in digital channel fields and operational design and operational capabilities owned by both KDDI Evolva and Relia as well as the capabilities of the Group and the Mitsui Group with regard to corporate customer contacts, IT, and overseas business expertise. This will better position KDDI and Mitsui for solving customer's tangible problems while enabling them to develop and expand digital BPO*⁴ services both in Japan and overseas.

*3. "BPO," or Business Process Outsourcing, refers to outsourcing a portion of corporate business processes ranging from design to implementation and operation to specialists.

*4. "Digital BPO" is a BPO method entailing the outsourcing of operations utilizing digital technologies such as AI in addition to human resources to achieve greater efficiency.

(3) Name and Description of Business of the Acquired Company (as of August 31, 2023)

Company name	Relia Inc.
Established	June, 1987
Head Office	2-6-5 Yoyogi, Shibuya-ku, Tokyo
Executives	Representative Director, President & CEO Takashi Amino
Main business	Contact center operations, back-office operations
Capital	¥998 million

(4) Name and Description of Business of the Integrated Company After the Business Integration (as of September 1, 2023)

Company name	Altius Link, Inc.
Established	May, 1996 (Inauguration Sep, 2023)
Head Office	2-3-2 Nishishinjyuku, Shinjyuku-ku, Tokyo
Executives	Representative Director, President & CEO Takashi Amino

	Representative Director, Executive Vice President Hajime Wakatsuki
Main business	Contact center operations, back-office operations, IT solutions operations, other related operation
Capital	¥100 million

(5) Content of the Allocation Related to the Business Integration

Regarding the shares of Relia held by KDDI Evolva and Mitsui after the Business Integration, the Company allocated and issued 49 common shares of KDDI Evolva.

(6) Percentage of Voting Equity Interests Acquired

Percentage of voting rights on the date of Business Integration: 51.0%

(7) Date of Controlling Interest Acquisition

September 1, 2023

(8) Consideration and its breakdown

		(Unit: Millions of yen)
		Acquisition date (Sep 1, 2023)
		<hr/>
Fair value of KDDI Evolva common shares allocated and issued when control was acquired		46,544
Total consideration	A	<hr/> <hr/> 46,544
Acquisition-related expenses for the Business Integration totaling ¥605 million were recorded under “selling, general and administrative expenses” in the consolidated statement of income.		

(9) The table below shows the fair value of assets and liabilities, and goodwill as of the acquisition date

		(Unit: Millions of yen)
		Acquisition date (Sep 1, 2023)
		<hr/>
Non-current assets :		
Property, plant and equipment (Note1)		12,669
Right-of-use assets (Note1)		8,355
Other long-term financial assets		4,396
Other		2,048
Total non-current assets		<hr/> <hr/> 27,468
Current assets :		
Trade and other receivables (Note2)		19,305
Cash and cash equivalents		27,438
Other		2,113
Total current assets		<hr/> <hr/> 48,856
Total assets		<hr/> <hr/> <hr/> 76,324
Non-current liabilities :		
Other long-term financial liabilities		2,343
Other		5,370
Total non-current liabilities		<hr/> <hr/> 7,713

Current liabilities :		
Trade and other payables		9,814
Other		9,847
Total current liabilities		19,661
Total liabilities		27,374
Net assets	B	48,949
Non-controlling interests (Note3)	C	23,987
Goodwill (Note4)	A-(B-C)	21,582

Regarding the Business Integration, the Company conducted tentative procedures because of the allocation of the acquisition price during the second and third quarters of the fiscal year under review. However, once the allocations for the fiscal year under review had been determined, it was calculated that goodwill would decline ¥2,517 million on the date that control was acquired. This was mainly due to increases in intangible assets, deferred tax liabilities, and non-controlling interests totaling ¥7,429 million, ¥2,673 million, and ¥2,418 million, respectively.

Notes: 1. Breakdown of property, plant and equipment and intangible assets

Property, plant and equipment mainly comprise buildings and equipment.

Intangible assets mainly comprise customer-related assets and software.

2. Fair value of acquired receivables, uncollected amounts from agreements, and amount expected to be unrecoverable

Of the ¥19,305 million fair value of operating and other receivables acquired (mainly accounts receivable), agreements total ¥19,305 million, and none are expected to be unrecoverable.

3. Non-controlling interests

Non-controlling interests are measured by multiplying the percentage of non-controlling interests by the identifiable net assets of the acquired company on the date control was acquired.

4. Goodwill

Goodwill reflects the synergy between existing businesses and expected future surplus profitability due to business expansion. Of recognized goodwill, none is expected to be deductible for tax purposes.

(10) The table below shows proceeds from obtaining control of the subsidiary

	(Unit: Millions of yen)
	Acquisition date (Sep 1, 2023)
Cash and cash equivalents held by the acquiree at the time of obtaining control	27,438
Cash proceeds from obtaining control of the subsidiary	27,438

(11) Revenue and profit for the period of the acquiree

Operating revenue of the acquired company from the control acquisition date recognized in the consolidated statement of income ended March 31, 2024 was ¥69,092 million, and net income was ¥3,517 million.

(12) Consolidated revenue and net income on the assumption that the business combination was completed at the beginning of the year (Pro forma financial information)

If the Business Integration had been conducted on the start date of the fiscal year under review, operating revenue in the consolidated statement of income in the fiscal year under review would be ¥5,801,580 million, and net income would be ¥656,681 million. In addition, the pro-forma data has not received audit certification.

5. Segment information

(1) Outline of reportable segments

The reporting segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored for the board of directors to determine the allocation of the business resources and evaluate the performance results.

The Group has the two reportable segments of Personal Services and Business Services as well as operating segments.

The Personal Services segment provides services to individual customers.

In Japan, we aim to provide new added value and experience value by expanding 5G telecommunication services and other services such as finance, energy, and LX in a coordinated manner through our multi-brands “au,” “UQ mobile,” and “povo,” and are also working with local partners to eliminate the digital divide and achieve regional co-creation.

Overseas, we are leveraging our business know-how cultivated in Japan to provide telecommunication services and financial and entertainment services such as video and games to individual customers in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with a variety of solutions encompassing smartphones and other devices, network and cloud services, and Telehouse brand data center services.

We continue to provide global one-stop solutions that contribute to the development and expansion of our customers’ businesses through IoT and DX centered on 5G communications in collaboration with our partners.

For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

From this fiscal year, we have reassessed certain operating segments of our company, consolidated subsidiaries, and associated companies based on organizational changes. Accordingly, the segment information for the fiscal year ended March 31, 2023 is presented based on the segment classification after this change.

In addition, we have applied IFRS 17 “Insurance Contracts” from the three-month period ended June 30, 2023. As a result, we disclose the figures after applying the accounting standard retrospectively for the fiscal year ended March 31, 2023.

(2) Calculation method of revenue, income or loss, assets and other items by reportable segment

Accounting treatment of reported business segments is consistent with “3. Material accounting policies.”

Income of the reportable segments is based on the operating income.

Inter segment transaction price is determined by taking into consideration the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.

(3) Information related to the amount of revenue, income or loss and other items by reportable segment

The Group’s segment information is as follows:

For the year ended March 31, 2023

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	(Unit: Millions of yen)
	Personal	Business	Sub-total				Amounts on the consolidated financial statements
Revenue							
Revenue from external customers	4,730,138	899,141	5,629,278	42,483	5,671,762	-	5,671,762
Inter-segment revenue or transfers	90,475	233,040	323,514	96,312	419,827	(419,827)	-
Total	4,820,612	1,132,180	5,952,793	138,796	6,091,589	(419,827)	5,671,762
Segment income (loss)	878,963	191,502	1,070,465	6,767	1,077,232	161	1,077,393
Finance income and finance cost (Net)							1,517
Other non-operating profit and loss							612
Profit for the year before income tax							1,079,523
Other items							
Depreciation and amortization	604,871	90,729	695,600	5,400	701,000	(4,409)	696,591
Impairment loss	2,289	48	2,337	17	2,354	-	2,354
Share of profit of investment accounted for using the equity method	2,187	(244)	1,943	4,270	6,213	-	6,213

For the year ended March 31, 2024

	Reporting segment			Other (Note 1)	Total	Adjustment (Note 2)	(Unit: Millions of yen)
	Personal	Business	Sub-total				Amounts on the consolidated financial statements
Revenue							
Revenue from external customers	4,675,796	1,033,486	5,709,282	44,765	5,754,047	-	5,754,047
Inter-segment revenue or transfers	71,425	231,253	302,677	97,029	399,706	(399,706)	-
Total	4,747,221	1,264,739	6,011,959	141,794	6,153,753	(399,706)	5,754,047
Segment income (loss)	740,360	211,912	952,271	10,513	962,785	(1,201)	961,584
Finance income and finance cost (Net)							11,652
Other non-operating profit and loss							19,490
Profit for the year before income tax							992,725
Other items							
Depreciation and amortization	586,820	95,584	682,404	7,820	690,224	(4,372)	685,852
Impairment loss	9,301	284	9,585	23	9,607	-	9,607
Share of profit of investment accounted for using the equity method	4,587	549	5,136	4,809	9,945	-	9,945

Note 1: "Other" includes construction and maintenance of facilities, research and development of leading-edge technology, and other operations that do not constitute reportable segments.

Note 2: Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

Information by product and service is described in "Note 25. Revenue."

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as non-current assets located in Japan accounts for most of these assets on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

6. Property, plant and equipment

(1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2022	5,862,061	735,821	293,712	331,649	549,676	7,772,919
Acquisition	4,209	236	11	359,960	619	365,035
Transfer from construction in progress	296,388	16,646	760	(357,379)	43,584	-
Disposal	(89,941)	(7,968)	(1,014)	(446)	(22,808)	(122,179)
Exchange differences	(1,457)	3,161	637	665	6,318	9,323
Other	4,018	1,108	(682)	(4,960)	(2,387)	(2,904)
As of March 31, 2023	6,075,279	749,004	293,423	329,488	575,002	8,022,195
Acquisition	86,647	11,480	22,949	374,718	20,493	516,287
Transfer from construction in progress	237,145	31,420	62,808	(387,462)	56,088	-
Acquisition of business combination	-	3,275	128	89	2,387	5,879
Disposal	(350,137)	(20,472)	(344)	(1,894)	(27,804)	(400,651)
Exchange differences	5,808	12,030	4,476	4,534	21,651	48,499
Other	(1,676)	2,152	1,071	9,750	(12,177)	(880)
As of March 31, 2024	6,053,064	788,890	384,511	329,224	635,641	8,191,330

Accumulated depreciation and accumulated impairment loss

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2022	(4,374,484)	(441,884)	(4,082)	(3,715)	(363,274)	(5,187,439)
Depreciation	(286,778)	(21,955)	-	-	(40,250)	(348,984)
Disposal	86,465	6,185	265	-	22,198	115,113
Impairment loss	(1,459)	(177)	-	(11)	(243)	(1,889)
Exchange differences	407	(602)	(1)	(160)	(2,918)	(3,275)
As of March 31, 2023	(4,575,849)	(458,433)	(3,819)	(3,885)	(384,488)	(5,426,474)
Depreciation	(277,454)	(21,906)	-	-	(39,080)	(338,440)
Disposal	338,547	18,938	188	-	26,871	384,544
Impairment loss	(5,415)	(605)	(151)	(13)	(941)	(7,125)
Exchange differences	(3,295)	(1,453)	42	(917)	(11,279)	(16,903)
As of March 31, 2024	(4,523,466)	(463,459)	(3,740)	(4,816)	(408,917)	(5,404,397)

Note: The depreciation of the property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

	Millions of yen					
	Communication equipment	Buildings and structures	Land	Construction in progress	Other	Total
As of April 1, 2022	1,487,577	293,937	289,630	327,934	186,402	2,585,481
As of March 31, 2023	1,499,429	290,571	289,604	325,603	190,515	2,595,721
As of March 31, 2024	1,529,599	325,431	380,772	324,408	226,724	2,786,933

(2) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to “Note 15. Borrowings and bonds payable.”

(3) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

(4) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

(5) Capitalization of borrowing costs

There are no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2023 and 2024.

7. Goodwill and intangible assets

(1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

	Millions of yen						Total
	Goodwill	Intangible assets					
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	555,733	959,633	328,972	36,363	130,707	652,216	2,663,623
Individual acquisition	-	138,020	-	-	10,760	108,256	257,036
Disposal	-	(91,971)	-	-	-	(50,814)	(142,785)
Exchange differences	96	(660)	-	-	-	582	17
Other	-	3,253	-	-	(76)	(11,292)	(8,115)
As of March 31, 2023	555,829	1,008,274	328,972	36,363	141,391	698,947	2,769,776
Individual acquisition	-	152,369	-	-	10,161	79,891	242,421
Acquisition of business combination	41,220	852	14,884	-	-	79	57,034
Disposal	(15,062)	(106,631)	(351)	(19,372)	-	(54,154)	(195,570)
Exchange differences	1,251	1,447	-	-	-	2,537	5,235
Other	-	2,863	-	-	(28)	(9,051)	(6,216)
As of March 31, 2024	583,237	1,059,174	343,504	16,991	151,525	718,249	2,872,680

Accumulated amortization and impairment

	Millions of yen						Total
	Goodwill	Intangible assets					
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	(14,771)	(541,963)	(150,374)	(14,876)	(46,486)	(328,968)	(1,097,437)
Amortization	-	(136,682)	(19,562)	(1,653)	(15,005)	(49,644)	(222,546)
Impairment loss	-	(449)	-	-	-	(3)	(452)
Disposal	-	90,094	-	-	-	50,344	140,438
Exchange differences	-	307	-	-	-	(632)	(324)
Other	-	-	-	-	-	-	-
As of March 31, 2023	(14,771)	(588,693)	(169,936)	(16,529)	(61,491)	(328,902)	(1,180,322)
Amortization	-	(130,737)	(20,493)	(1,066)	(15,955)	(52,744)	(220,995)
Impairment loss	(332)	(1,742)	-	-	-	(226)	(2,300)
Disposal	-	102,313	326	9,099	-	52,248	163,985
Exchange differences	-	(695)	-	-	-	(1,537)	(2,232)
Other	-	-	-	-	-	-	-
As of March 31, 2024	(15,103)	(619,556)	(190,103)	(8,495)	(77,446)	(331,160)	(1,241,864)

Note: The amortization of intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of financial positions.

The carrying amounts of goodwill and intangible assets are as follows:

Carrying amount

	Millions of yen						Total
	Goodwill	Intangible assets					
		Software	Customer related	Program supply related	Spectrum migration cost	Other	
As of April 1, 2022	540,962	417,669	178,598	21,487	84,220	323,249	1,566,186
As of March 31, 2023	541,058	419,581	159,035	19,834	79,900	370,046	1,589,454
As of March 31, 2024	568,134	439,618	153,401	8,496	74,078	387,089	1,630,816

(2) Total expenditures related to research and development expensed during the period

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2023 and 2024 are ¥26,373 million and ¥27,721 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2023 and 2024 is ¥63,379 million.

The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

8. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets

Impairment test of CGUs including goodwill and intangible assets with indefinite useful lives

The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to CGUs or groups of CGUs are as follows:

Goodwill

CGUs or groups of CGUs	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	280,709	278,020
Jupiter Shop Channel Co., Ltd.	92,577	92,577
AEON HD	31,621	31,288
Altius Link, Inc.	1,975	23,557
ENERES Co., Ltd.	14,199	14,199
BIGLOBE Inc.	14,072	14,072
Other	105,905	114,421
Total	541,058	568,134

Intangible assets with indefinite useful lives

CGUs or groups of CGUs	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
BIGLOBE Inc.	26,374	26,374
Jupiter Shop Channel Co., Ltd.	19,859	19,859
AEON HD	17,146	17,146
Total	63,379	63,379

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to CGUs or groups of CGUs is calculated using value in use.

In assessing value in use, the estimated future cash flows from CGUs or groups of CGUs are discounted to their present value.

When the Group calculates the future cash flows and discount future cash flows, the business plan developed based on different type of forecasted revenue and cost such as cost of sales and selling, general and administrative expenses, growth rates and pre-tax discount rates are used as key assumptions.

The forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, which reflects past experience and external information, and the maximum forecast is 5 years. After 5 years, a certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period, which are used to calculate value in use of CGUs, are as follows.

CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	0.0%	0.0%
Jupiter Shop Channel Co., Ltd.	0.0%	0.0%
AEON HD	0.0%	0.0%
Altius Link, Inc.	0.0%	0.0%
ENERES Co., Ltd.	0.0%	0.0%
BIGLOBE Inc.	0.0%	0.0%
Other	0.0%-6.5%	0.0%-7.0%

The growth rates used in estimated cash flows of CGUs or group of CGUs reflect the status of the country and the industry to which the CGUs belongs and does not exceed the long-term average growth rate for the market.

The pre-tax discount rates, which are used to calculate value in use of CGUs or groups of CGUs to which goodwill and intangible assets with indefinite useful lives, are allocated are as follows.

CGUs or groups of CGUs	As of March 31, 2023	As of March 31, 2024
JCOM Co., Ltd. CATV business	5.7%	6.3%
Jupiter Shop Channel Co., Ltd.	5.6%	5.6%
AEON HD	5.6%	6.5%
Altius Link, Inc.	8.9%	9.2%
ENERES Co., Ltd.	6.3%	5.6%
BIGLOBE Inc.	8.5%	9.1%
Other	5.7%-19.3%	6.3%-20.4%

Although goodwill and intangible assets with indefinite useful lives have a risk of impairment when key assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the CGUs or groups of CGUs regardless of the reasonable change of business plan the growth rate and/or discount rate used for impairment test.

9. Investments accounted for using the equity method

In addition, we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024. As a result, for the fiscal year ended March 31, 2023 and as of March 31, 2023, we disclose the figures after applying the accounting standard retrospectively.

(1) The carrying amounts of investments accounted for using the equity method

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Interests in associates	261,169	301,037
Total	261,169	301,037

(2) The Group's share of comprehensive income of associates accounted for using the equity method

i. Associates

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2023 and 2024, there is no individually significant associate accounted for using the equity method.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year	6,213	9,945
Other comprehensive income, net of tax	1,117	(423)
Total comprehensive income for the year	7,330	9,522

10. Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Finished goods and manufactured goods	96,169	88,249
Work in progress	2,570	2,574
Other	299	467
Total	99,038	91,290

There is no inventory to be sold after more than 12 months from March 31, 2023 and 2024.

(2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Write down of the inventories expensed (Note)	2,308	2,473

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

11. Trade and other receivables

The analysis of trade and other receivables is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Current:		
Trade receivables		
Accounts receivable-trade and notes receivable	2,281,671	2,533,529
Accounts receivable-other (Note)	182,747	227,062
Loss allowance	(19,168)	(58,439)
Total	2,445,250	2,702,152

Note: Accounts receivable-other mainly consists of the receivable related to the payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2023 and 2024 are ¥418,636 million and ¥438,047 million, respectively.

The amount of the trade and other receivables on the consolidated statement of financial position is presented less loss allowance.

12. Other financial assets

The analysis of other financial assets is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current assets (Other long-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	80	748
Financial assets at fair value through other comprehensive income		
Equity instruments		
Investment securities	178,090	316,613
Financial assets at amortized cost		
Debt instruments		
Security deposits	64,627	50,094
Long-term accounts receivables	15,760	13,496
Lease receivables	40,205	31,960
Other	21,225	24,456
Loss allowance	(15,879)	(45,915)
Sub total	304,106	391,453
Current assets (Other short-term financial assets):		
Financial assets at fair value through profit or loss		
Derivatives	6,961	10,096
Financial assets at amortized cost		
Debt instruments		
Lease receivables	28,832	23,321
Short-term investment	10,456	7,447
Other	13,909	13,078
Loss allowance	—	(23,281)
Sub total	60,158	30,662
Total	364,265	422,115

13. Other assets

The analysis of other non-current assets and other current assets is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current assets		
Long-term prepaid expenses	26,909	33,207
Other	3,016	3,471
Sub total	29,924	36,678
Current assets		
Prepaid expenses	86,518	77,971
Advance payments	21,058	23,629
Other	33,660	52,812
Loss allowance	—	(12,149)
Sub total	141,236	142,263
Total	171,160	178,941

14. Cash and cash equivalents

The analysis of cash and cash equivalents is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Cash in hand and deposits held at call with banks	480,052	885,229
Term deposits with original maturities of three months or less	199	1,978
Total	480,252	887,207
Cash and cash equivalents in consolidated statement of cash flow	480,252	887,207

15. Borrowings and bonds payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

	Millions of yen		Average interest rate (%) (Note)	Due (Year)
	As of March 31, 2023	As of March 31, 2024		
Non-current				
Bonds payable (excluding current portion)	309,503	249,659	0.33	2025-2029
Long-term borrowings (excluding current portion)	604,730	1,327,712	0.27	2025-2030
Sub total	914,233	1,577,370	-	-
Current				
Current portion of bonds payable	69,979	59,995	0.40	-
Current portion of long-term borrowings	198,465	153,464	0.51	-
Short-term borrowings	69,517	193,554	0.19	-
Sub total	337,961	407,013	-	-
Total	1,252,194	1,984,384	-	-

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

(2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

Entity	Description	Issuance date	Millions of yen		Interest rate (%)	Collateral	Due
			As of March 31, 2023	As of March 31, 2024			
KDDI Corp.	20th series of unsecured notes	December 13, 2013	29,991 (29,991)	-	0.80 per year	Unsecured	December 20, 2023
KDDI Corp.	21st series of unsecured notes	September 10, 2014	29,982	29,995 (29,995)	0.67 per year	Unsecured	September 20, 2024
KDDI Corp.	22nd series of unsecured notes	July 12, 2018	29,944	29,955	0.31 per year	Unsecured	July 12, 2028
KDDI Corp.	23rd series of unsecured notes	November 22, 2018	39,987 (39,987)	-	0.11 per year	Unsecured	November 22, 2023
KDDI Corp.	24th series of unsecured notes	November 22, 2018	29,965	29,979	0.25 per year	Unsecured	November 21, 2025
KDDI Corp.	25th series of unsecured notes	November 22, 2018	19,959	19,966	0.40 per year	Unsecured	November 22, 2028
KDDI Corp.	26th series of unsecured notes	April 26, 2019	29,984	30,000 (30,000)	0.13 per year	Unsecured	April 26, 2024
KDDI Corp.	27th series of unsecured notes	April 26, 2019	29,958	29,972	0.23 per year	Unsecured	April 24, 2026
KDDI Corp.	28th series of unsecured notes	April 26, 2019	39,917	39,931	0.36 per year	Unsecured	April 26, 2029
KDDI Corp.	30th series of unsecured notes	October 27, 2022	49,912	49,947	0.21 per year	Unsecured	October 27, 2025
KDDI Corp.	31st series of unsecured notes	October 27, 2022	49,882	49,908	0.43 per year	Unsecured	October 27, 2027

Note: The amounts in () presents the current portion of the bonds payable.

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Property, plant and equipment	519	519
Stocks of subsidiaries and associates (Note)	768	768
Securities for financial business	356,266	359,283
Loans for financial business	163,456	780,591
Other long-term financial assets	13,248	7,129
Other non-current assets	3,787	4,160
Total	538,043	1,152,450

Obligations underlying to these assets pledged as collateral are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Long-term borrowings (Note)	61,100	521,100
Current portion of long-term borrowings	50,000	-
Accounts payable	66	-
Cash collateral received for securities lent	244,111	229,635
Total	<u>355,277</u>	<u>750,735</u>

Note: Shares of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions. The amounts of borrowings as of March 31, 2023 and 2024 are ¥9,725 million and ¥8,235 million, respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2023 and 2024 are ¥399,013 million and ¥368,071 million, respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable, which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 32. Financial instruments" and "Note 33. Fair value of financial instruments."

16. Deferred tax and income taxes

(1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2023

	Millions of yen						As of March 31, 2023
	As of April 1, 2022	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	
Deferred tax assets							
Accrued bonuses	11,239	575	-	-	2	(4)	11,812
Accrued business tax	7,518	719	-	-	5	(273)	7,969
Inventories	4,642	(1,989)	-	-	-	(140)	2,514
Loss allowance	10,202	7,237	-	-	-	138	17,577
Property, plant and equipment and intangible assets	55,209	(9,368)	-	-	8	207	46,058
Lease liabilities	129,589	(949)	-	-	-	-	128,640
Deferred points	12,897	(4,230)	-	-	-	(115)	8,552
Retirement benefit liabilities	2,227	(635)	(5)	0	5	(6)	1,586
Accrued expenses	6,055	1,079	-	-	2	244	7,380
Contract liabilities	33,333	(2,820)	-	-	-	(436)	30,077
Other	35,085	(8,207)	139	(326)	15	(30)	26,677
Total	307,996	(18,587)	134	(326)	37	(414)	288,840
Deferred tax liabilities							
Retained profits of foreign related companies	1,842	379	-	-	-	-	2,221
Special reserves	173	21	-	-	-	-	194
Appraisal gain on equity instruments	26,671	-	-	(8,044)	29	(2)	18,653
Property, plant and equipment, intangible assets and right-of- use assets	133,828	1,103	-	-	-	343	135,274
Identifiable intangible assets	85,292	(6,538)	-	-	-	-	78,755
Retirement benefit assets	12,626	(14)	-	5,715	-	412	18,738
Contract costs	173,482	25,259	-	-	-	-	198,741
Other	6,537	5,412	(15)	(788)	190	825	12,161
Total	440,451	25,623	(15)	(3,117)	219	1,578	464,739

For the year ended March 31, 2024

	Millions of yen						
	As of April 1, 2023	Recognized as profit or loss	Recognized directly in equity	Recognized as other comprehensive income	Acquisition by business combinations	Other (Note)	As of March 31, 2024
Deferred tax assets							
Accrued bonuses	11,812	643	-	-	355	(11)	12,799
Accrued business tax	7,969	1,227	-	-	120	(12)	9,304
Inventories	2,514	(25)	-	-	(1)	(1)	2,486
Loss allowance	17,577	(198)	-	-	6	(10)	17,375
Property, plant and equipment and intangible assets	46,058	(16,871)	-	-	105	349	29,641
Lease liabilities	128,640	(1,135)	-	-	-	(6,287)	121,217
Deferred points	8,552	(2,212)	-	-	-	-	6,340
Retirement benefit liabilities	1,586	(744)	5	840	86	-	1,773
Accrued expenses	7,380	(490)	-	-	25	-	6,915
Contract liabilities	30,077	(1,095)	-	-	-	(663)	28,319
Other	26,677	4,719	10	(1,742)	361	14	30,039
Total	<u>288,840</u>	<u>(16,182)</u>	<u>15</u>	<u>(902)</u>	<u>1,057</u>	<u>(6,621)</u>	<u>266,208</u>
Deferred tax liabilities							
Retained profits of foreign related companies	2,221	2,536	-	-	-	(27)	4,731
Special reserves	194	-	-	-	-	-	194
Appraisal gain on equity instruments	18,653	-	-	27,945	-	(0)	46,599
Property, plant and equipment, intangible assets and right-of- use assets	135,274	464	-	-	-	(7,146)	128,593
Identifiable intangible assets	78,755	(4,422)	-	-	(375)	(1)	73,957
Retirement benefit assets	18,738	-	-	(17,581)	-	26	1,183
Contract costs	198,741	16,798	-	-	-	-	215,539
Other	12,161	48	171	(730)	(284)	1,822	13,188
Total	<u>464,739</u>	<u>15,424</u>	<u>171</u>	<u>9,634</u>	<u>(660)</u>	<u>(5,325)</u>	<u>483,983</u>

Note: "Other" includes exchange differences on foreign operations.

(2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	12,203	17,948
Deferred tax liabilities	188,101	235,723
Deferred tax assets, net	<u>(175,898)</u>	<u>(217,775)</u>

The Company and some domestic subsidiaries applied for approval of a Group tax sharing system in the consolidated financial year under review and will adopt this system from the following consolidated fiscal year. As a result, the aforementioned entities apply tax effect accounting that assumes the adoption of the Group tax sharing system from the end of the consolidated fiscal year under review.

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income. The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries as of March 31, 2023 and 2024 are ¥4,847 million and ¥4,283 million, respectively.

All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.

(3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Deductible temporary differences	8,678	27,613
Tax loss carryforwards	56,972	88,146
Total	65,649	115,759

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
1st year	1,404	—
2nd year	173	265
3rd year	75	348
4th year	126	1,603
5th year and thereafter	55,194	85,930
Total	56,972	88,146

(4) Income taxes

The analysis of income taxes is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Current tax expenses		
Current tax expenses on the profit for the year	289,339	311,052
Adjustments in respect of prior years ((): refund)	6,042	(5,987)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses	(107)	(51)
Sub total	295,274	305,015
Deferred tax expenses		
Origination and reversal of temporary differences	44,278	32,623
Impact of change of tax rates	(8)	(0)
Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses	(5)	(89)
Review of the collectability of deferred tax assets	(55)	(927)
Sub total	44,210	31,606
Total	339,484	336,621

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in “Note 30. Other comprehensive income.”

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2023 and 2024 are as follows.

The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Statutory income tax rate	31.4%	31.4%
Non-taxable dividends received	(1.8)	(3.1)
Impact of tax differences of foreign subsidiaries	1.5	3.2
Tax credit	(0.1)	(0.2)
Valuation allowance	(0.3)	2.1
Other	0.7	0.5
Average actual tax rate to incur	31.4%	33.9%

17. Employee benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

The Company and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund, which pays pension benefits. The trustee of the Fund is obliged to comply with laws, appointments by the Minister of Ministry of Health, Labour and Welfare or the Head of the Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to fulfil fiduciary duties related to the management and operation of the funded money. The trustee is prohibited from abusing the appropriate management and operation of the funded money for self-interest or the interest of third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Present value of the defined benefit obligations (funded)	353,214	337,456
Present value of the defined benefit obligations (unfunded)	11,623	11,033
Fair value of plan assets	(416,009)	(439,417)
The effect of asset ceiling	—	97,633
Status of the funding	(51,172)	6,705
Retirement benefit liabilities	11,739	11,801
Retirement benefit assets	(62,911)	(5,096)
Net retirement benefit liabilities	(51,172)	6,705

ii. Movement in the defined benefit obligations, plan assets, and the effect of asset ceiling

The movement in the defined benefit obligations is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
The movement in the present value of the defined benefit obligations		
Opening balance	412,321	364,838
Current service cost	4,554	2,452
Interest expense	2,145	3,748
Sub total	419,020	371,038
Remeasurements:		
Amount from change in financial assumptions	(38,053)	(8,311)
Amount from change in demographic assumptions	(30)	(101)
Benefit payments	(16,360)	(16,934)
Exchange differences	10	37
New consolidation	4	2,273
Other	246	488
Ending balance	364,838	348,490

The movement in the plan assets is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Changes in fair value of the plan assets:		
Opening balance	(444,546)	(416,009)
Interest income	(2,880)	(5,732)
Remeasurements:		
Return on plan assets	19,635	(30,172)
Benefit payments	14,827	15,812
Contribution to the plans		
Contribution from employers	(3,045)	(1,514)
New consolidation	-	(1,803)
Other	-	-
Ending balance	<u>(416,009)</u>	<u>(439,417)</u>

The movement in the effect of asset ceiling is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Changes in the effect of asset ceiling:		
Opening balance	-	-
the effect of asset ceiling	-	97,633
Ending balance	<u>-</u>	<u>97,633</u>

Note: If a defined benefit plan runs a surplus, the defined benefit plan recorded in the statement of financial position (assets related to retirement benefits) sets a maximum value for assets at the current value of a projected usable future economic benefit, specifically, it indicates a decrease in future funding to the defined benefit plans.

The weighted average duration of the defined benefit obligations for the years ended March 31, 2023 and 2024 are 14.6 years and 13.9 years, respectively.

iii. Components of plan assets

KDDI Corporate Pension Fund manages its funded money to secure long-term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of the Defined Benefit Corporate Pension Act, bylaw of the Fund requires the amount of contributions to be recalculated the amount of contributions at least every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2023 and 2024 consists of the components below:

	Millions of yen					
	As of March 31, 2023			As of March 31, 2024		
	With quoted prices in active markets	Without quoted prices in active markets	Total	With quoted prices in active markets	Without quoted prices in active markets	Total
Equities	53,153	-	53,153	60,851	-	60,851
Debt securities	165,499	-	165,499	169,531	-	169,531
Other (Note)	45,403	151,955	197,357	41,367	167,668	209,035
Total	264,054	151,955	416,009	271,749	167,668	439,417

Note: Other includes hedge funds, private equities and cash.

iv. The analysis of expenses related to defined benefit plans

The amount of expenses recognized related to defined benefit plans is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Current service cost	4,554	2,452
Interest expense	2,145	3,748
Interest income	(2,880)	(5,732)
Total	3,819	468

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

v. Actuarial assumptions

Major actuarial assumptions at the end of each period are as follows:

	As of March 31, 2023	As of March 31, 2024
Discount rate	1.4%	1.4%

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

vi. Sensitivity analysis of actuarial assumptions

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
0.5% increase	(19,881)	(17,358)
0.5% decrease	21,808	19,014

vii. Contributions to the plan assets in the next financial year

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2025 to be ¥1,440 million.

(2) Defined contribution pension plans

The amount of expenses recognized related to defined contribution pension plans is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Expenses related to defined contribution pension plans	8,057	9,538

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. Certain Group subsidiaries cannot

reasonably calculate the amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The expenses on the consolidated statement of income for the years ended March 31, 2023 and 2024 are ¥1,819 million and ¥1,775 million, respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and simultaneously reduce the risk of a pension plan's discontinuance, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

(i) Status of funding in the overall plan

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Pension assets	(55,035)	(55,766)
Benefit obligations for the purpose of calculating pension financials	46,368	49,100
Difference	(8,667)	(6,665)
Ratio of the funded pension assets	118.7%	113.6%
Difference consists of :		
Surplus	(8,667)	(6,665)

(ii) Ratio of contributions by the Group to the fund

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Contributions by the Group	(1,743)	(1,719)
All contributions to the fund	(2,812)	(2,787)
Ratio to all contributions to the fund	62.0%	61.7%

In accordance with a provision of the Defined Benefit Corporate Pension Act, a bylaw of the Fund requires the amount of contributions to be recalculated every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

(iii) Contributions to the multiemployer plans in the next financial year

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2025 to be ¥ 1,775 million.

18. Trade and other payables

The analysis of the trade and other payables is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Current liabilities		
Accounts payable (Note)	586,110	651,135
Accounts payable-trade	172,402	196,920
Accrued expenses	43,040	50,570
Other obligations	375	500
Total	<u>801,927</u>	<u>899,125</u>

Note: Accounts payable mainly consists of the payables for capital investments and sale commission.

The amounts of trade and other payables expected to be settled after more than twelve months from March 31, 2023 and 2024 are ¥1,019 million and ¥186 million, respectively.

19. Other financial liabilities

The analysis of other financial liabilities is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current liabilities (Other long-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	806	409
Financial liabilities at amortized cost		
Long-term account payables	1,967	1,940
Other	7,535	7,816
Sub total	<u>10,309</u>	<u>10,166</u>
Current liabilities (Other short-term financial liabilities):		
Financial liabilities at fair value through profit or loss		
Derivatives	6,894	7,761
Financial liabilities at amortized cost		
Other	—	2
Sub total	<u>6,894</u>	<u>7,762</u>
Total	<u>17,202</u>	<u>17,928</u>

20. Provisions

(1) Movements of provisions

Changes in provisions are as follows:

	Millions of yen			
	Asset retirement obligation	Provision for customer points	Other provisions	Total
As of April 1, 2022	64,585	23,988	7,141	95,713
Increase during the year	995	22,448	6,485	29,927
Decrease during the year (intended use)	(17,798)	(28,620)	(1,410)	(47,828)
Decrease during the year (reversal)	-	-	-	-
As of March 31, 2023	47,781	17,816	12,215	77,812
Increase during the year	10,911	19,047	2,071	32,028
Decrease during the year (intended use)	(15,477)	(21,489)	(3,098)	(40,064)
Decrease during the year (reversal)	(23)	-	-	(23)
As of March 31, 2024	43,192	15,374	11,188	69,753
Non-current liabilities	42,323	-	5,477	47,800
Current liabilities	868	15,374	5,711	21,953

(2) Components of provisions

The main components of provisions of the Group are as follows.

i. Asset retirement obligation

Asset retirement obligations are recognized using the reasonably estimated amount required for the removal of equipment, such as base stations, certain offices, data centers and network centers. The estimate is based on present assumptions and is subject to changes if assumptions are revised in the future.

ii. Provision for customer points

The Group operates some points programs, including the au Ponta point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by customers, the Group has recorded these points, which are mainly granted by using au Pay and au Pay card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, the customers forfeit the right to use them.

iii. Other provisions

Other provisions include provision for contract loss and provision for warranties for completed construction.

21. Other liabilities

The analysis of other liabilities is as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Non-current liabilities:		
Long-term deposits payable	1,902	1,942
Other	10,465	9,862
Sub total	12,366	11,804
Current liabilities:		
Deposits payable	136,314	133,328
Accrued bonuses	36,498	39,608
Consumption tax payable	28,715	37,197
Other	41,185	43,124
Sub total	242,712	253,257
Total	255,078	265,061

22. Share-based payment (stock grant plans)

The Company and its certain consolidated subsidiaries have several stock compensation plans (hereafter, the “Plan”) for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, “Directors and Other Executives”).

For the directors, certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). For the Group's senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link compensation for Directors and Other Executives with shareholder value and to increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company’s managers of operating performance and stock price.

Under BIP and ESOP, the right (the number) for stock granted is vested based on achievement based off of Key Performance Indicators (KPIs) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2023 and 2024 are ¥1,856 million and ¥710 million, respectively.

(1) KDDI CORPORATION

The Company has BIP trust. The stocks of the Company are granted by the institution.

For the year ended March 31, 2023

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	195,319	March 10, 2022	3,620.06	(Note 2)

Note 1: With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

Note 2: Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2024

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	167,882	March 9, 2023	3,932.79	(Note 2)

Note 1: With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

Note 2: Vesting conditions are subject to continued service from grant date to vesting date.

(2) Okinawa Cellular Telephone Company

Consolidated subsidiary Okinawa Cellular Telephone Company has BIP trust and ESOP trust. The shares in Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2023

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	2,557	March 25, 2022	4,916.00	(Note 2)
ESOP trust	5,696	March 25, 2022	4,916.00	(Note 2)

Note 1: With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

Note 2: Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2024

	Number of shares granted	Granted date	Fair value at granted date (Yen) (Note 1)	Vesting conditions
BIP trust	10,040	March 27, 2023	2,990.00	(Note 2)
ESOP trust	4,108	March 27, 2023	2,990.00	(Note 2)

Note 1: With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

Note 2: Vesting conditions are subject to continued service from grant date to vesting date.

23. Common stock and other equity items

(1) Common stock and capital surplus

The number of authorized shares, outstanding shares, common shares and the balance of capital surplus in each consolidated fiscal year are as follows:

	Stock		Millions of yen	
	Authorized shares	Outstanding shares	Common stock	Capital surplus
Balance as of April 1, 2022	4,200,000,000	2,304,179,550	141,852	279,371
Increase and decrease during the period	-	(1,467,242)	-	1
Balance as of March 31, 2023	4,200,000,000	2,302,712,308	141,852	279,371
Increase and decrease during the period	-	-	-	31,216
Balance as of March 31, 2024	4,200,000,000	2,302,712,308	141,852	310,587

Note 1: Common stock has no par value.

Note 2: Outstanding shares are fully paid.

Note 3: The decrease in the number of outstanding shares was due to the cancellation of treasury stocks.

Under the Companies Act of Japan (the “Companies Act”), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

(2) Treasury stock

Changes in the number of treasury shares during each consolidated fiscal year are as follows:

	Treasury stock	Amount
	(Shares)	(Millions of yen)
Balance as of April 1, 2022 (Note 3)	88,978,932	(299,827)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	59,823,205	(254,933)
Cancellation of treasury stock	(1,467,242)	5,313
Disposal of treasury stock (Note 2)	(1,743,966)	3,614
Balance as of March 31, 2023 (Note 4)	145,590,929	(545,833)
Increase and decrease during the period		
Purchase of treasury stock (Note 1)	75,112,630	(300,000)
Cancellation of treasury stock	-	-
Disposal of treasury stock (Note 2)	(245,399)	739
Balance as of March 31, 2024 (Note 4)	220,458,160	(845,093)

Note 1: The increase in the number of treasury shares mainly due to the purchase from the market in the fiscal year ended March 31, 2023 and the increase in the number of treasury shares in the fiscal year ended March 31, 2024, are mainly due to the tender offer and the purchase from the market, 59,823,200 shares, and 75,112,600 shares, respectively.

Note 2: The decrease in the number of treasury stock is mainly due to the allocation to grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.

Note 3: The balance of treasury stock as of April 1, 2022 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

Note 4: The balance of treasury stock as of March 31, 2023 and March 31, 2024 includes share of the Company owned by the executive compensation BIP trust.

(3) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Changes in accumulated other comprehensive income

Changes in each component of accumulated other comprehensive income are as follows:

IFRS 17 "Insurance Contracts" has been adopted from this fiscal year, and accordingly the figures have been calculated retrospectively to apply the accounting standard for the fiscal year ended March 31, 2023.

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2023:

	Millions of yen					
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Change in reserve fund of insurance finance expenses	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2022	6,297	36,403	375	348	-	43,422
Amount incurred during the year	12,980	(24,156)	(852)	204	12,429	605
Reclassified to consolidated statement of income	-	-	366	-	-	366
Transferred to retained earnings	-	430	-	-	(12,429)	(11,999)
Balance as of March 31, 2023	19,277	12,677	(112)	553	-	32,394

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

For the year ended March 31, 2024:

	Millions of yen					
	Translation differences on foreign operations	Changes measured in fair value of financial assets at fair value through other comprehensive income	Changes in fair value of cash flow hedge	Change in reserve fund of insurance finance expenses	Remeasurements of benefit pension plan	Total
Balance as of April 1, 2023	19,277	12,677	(112)	553	-	32,394
Amount incurred during the year	37,334	59,966	654	(41)	(41,040)	56,874
Reclassified to consolidated statement of income	(4,423)	-	401	-	-	(4,022)
Transferred to retained earnings	-	(2,847)	-	-	41,040	38,192
Balance as of March 31, 2024	52,188	69,796	943	512	-	123,438

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 30. Other comprehensive income."

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge

This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge, which is used by the Group to avoid the risk of future cash flows fluctuations.

(d) Change in reserve fund of insurance finance expense

This represents the impact of the time value of money of future cash flows related to insurance contracts, as well as the fluctuation due to financial risks.

(e) Remeasurements of defined benefit pension plan

Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, the effects of changes in actuarial assumptions, and change in the effect of asset ceiling.

24. Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2023

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 22, 2022 General meeting of shareholders (Note 1)	Common stock	143,988	65	March 31, 2022	June 23, 2022
November 2, 2022 Board of directors (Note 2)	Common stock	142,496	65	September 30, 2022	December 5, 2022

For the year ended March 31, 2024

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 General meeting of shareholders (Note 2)	Common stock	150,998	70	March 31, 2023	June 22, 2023
November 2, 2023 Board of directors (Note 2)	Common stock	146,527	70	September 30, 2023	December 5, 2023

Note 1: Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.

Note 2: Dividends of the Company's shares owned by the executive compensation BIP trust are not included in the aggregate amount of the dividends above.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2023:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 21, 2023 General meeting of shareholders (Note)	Common stock	150,998	Retained earnings	70	March 31, 2023	June 22, 2023

For the year ended March 31, 2024:

Resolution	Type	Aggregate amount of dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
June 19, 2024 General meeting of shareholders (Note)	Common stock	145,758	Retained earnings	70	March 31, 2024	June 20, 2024

Note: Dividends of the Company's shares owned by the executive compensation BIP trust are not included in the aggregate amount of the dividends above.

25. Revenue

(1) Division of revenues

The Group divides revenues from contracts with customers into five categories depending on the contract: mobile telecommunications services and multi-brand value-added services, fixed-line telecommunications services, business services and other services. Profit from each segment is divided as follows.

For the year ended March 31, 2023

Segment	Product / Service	Millions of yen
Personal Services		4,730,138
	Mobile communications revenues	1,591,413
	Multi-Brand value-added revenues	442,475
	Fixed-line telecommunications	819,509
	Others	1,876,740
Business Services		899,141
Others		42,483
Total		5,671,762
Profit from contracts with customers		5,518,184
Profit from other sources		153,578

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2024

Segment	Product / Service	Millions of yen
Personal Services		4,675,796
	Mobile communications revenues	1,555,311
	Multi-Brand value-added revenues	467,694
	Fixed-line telecommunications	824,905
	Others	1,827,886
Business Services		1,033,486
Others		44,765
Total		5,754,047
Profit from contracts with customers		5,570,136
Profit from other sources		183,911

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

The Group's receivables and contract liabilities from contracts with customers are as follows.

For the year ended March 31, 2023:

	Millions of yen As of April 1, 2022	Millions of yen As of March 31, 2023
Receivables from contracts with customers	2,032,463	2,106,035
Contract liabilities	157,174	158,500

For the year ended March 31, 2024:

	Millions of yen As of April 1, 2023	Millions of yen As of March 31, 2024
Receivables from contracts with customers	2,106,035	2,320,661
Contract liabilities	158,500	166,621

The contract liabilities are earned from activation fees related to mobile communications services and "au HIKARI" brand services. Points granted to customers through the customer loyalty program are allocated to transaction prices based on the stand-alone selling prices of benefits with the advance payment.

Regarding revenue recognized for the years ended March 31, 2023 and 2024, ¥76,680 million and ¥77,383 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2023 and 2024, the revenues recognized from performance obligation fulfilled (or partially fulfilled) in the past period are immaterial.

(3) Transaction amounts allocated to remaining performance obligations

The transaction amounts allocated to remaining performance obligations in the fiscal year ended March 31, 2023 and 2024 are ¥144,662 million and ¥158,371 million, respectively. The performance obligations mainly comprise the revenues from activation fees related to mobile communications services and "au HIKARI" brand services and assumes to be fulfilled when the service is provided. The revenues are expected to be recognized within approximately six years, from March 31, 2023 and 2024.

Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

(4) Assets recognized from the costs to obtain or fulfil contracts with customers

The Group's assets recognized from contract costs are as follows:

	Millions of yen March 31, 2023	Millions of yen March 31, 2024
Costs to obtain contracts	582,382	634,663
Costs to fulfill contracts	55,153	50,647

The portion expected to be recovered from the incremental costs to obtain contracts with customers and the costs directly related to fulfilling contracts is capitalized and recorded under contract costs in the consolidated statement of financial position.

Incremental costs to obtain contracts comprise costs to obtain contracts with customers that would not have been incurred had the contracts not been obtained.

Incremental costs to obtain contracts that are capitalized are mainly sales commissions to agencies like au shop incurred when contracts are obtained. Costs to fulfil contracts mainly comprise necessary set-up and other fees incurred between the receipt of an application and the start of services. These capitalized costs comprise incremental costs that would not have been incurred had telecommunications contracts not been obtained. Furthermore, when capitalizing these costs, only the amount expected to be recovered is recognized after taking into account the estimated contract period for the telecommunications contracts. The resulting assets are amortized on a straight-line basis in line with the main estimated contract period for users of each service. Regarding the estimated contract period, we make significant assumptions related to factors such as the expected period until cancellation or model change based on past performance data and other relevant elements.

These assets are amortized on a straight-line basis-based on three to four years of estimated contract period in the fiscal year ended March 31, 2023 and 2024.

The Group determines the recoverability of capitalized contract costs when they are capitalized and re-evaluates this each quarter. Specifically, the Group determines whether or not the book value of the assets exceeds the remaining amount of consideration the company expects to receive based on the telecommunications contract over the estimated contract period less the costs directly related to providing the service that have not yet been recognized as expenses.

In determining the recoverability, we make key assumptions regarding the business plan based on revenue projections and cost

fluctuation projections for cost of sales, sales and general administrative expenses, and other costs.

If the scenario used in estimates and assumptions changes, an impairment loss related to the asset is recognized in net profit or loss. This could therefore have a material impact on the value of assets capitalized from contract costs. Accordingly, the Group regards these estimates as material.

The amortization costs recognized from these assets in the years ended March 31, 2023 and 2024 amounted to ¥233,952 million and ¥273,756 million, respectively, and the impairment losses are not recognized.

26. Expenses by nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Handset sales cost, repair cost	657,987	665,063
Depreciation and amortization	696,591	685,852
Communication equipment usage fee and rentals	352,031	368,990
Staff cost	468,597	524,194
Operations outsourcing	340,776	399,646
Sales commission	357,675	367,883
Power retail sales cost	630,628	556,006
Advertising expense	104,135	110,490
Sales promotion expense	105,390	66,710
Loss allowance	3,772	100,067
Other (Note)	950,839	982,292
Total	4,668,421	4,827,194

Note: Other mainly consists of maintenance costs for communication equipment and rent, etc.

27. Other income and other expense

(1) The analysis of other income

The analysis of other income is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Subsidy income, etc.	55,392	16,417
Gain on sale of fixed assets	1,747	707
Compensation income, etc.	2,366	609
Other	12,125	15,218
Total	71,629	32,951

(2) The analysis of other expense

The analysis of other expense is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Reduction entry of land contribution for construction	-	4,951
Loss on sale of fixed assets	165	129
Other	3,624	3,086
Total	3,790	8,165

28. Finance income and finance cost

(1) The analysis of finance income

The analysis of finance income is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Interest income:		
Financial assets at amortized cost	1,998	3,367
Dividend income:		
Financial assets at fair value through other comprehensive income	7,910	4,694
Gain on foreign currency exchange	-	12,547
Other	267	1,258
Total	10,175	21,866

(2) The analysis of finance cost

The analysis of finance cost is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Interest expense:		
Financial liabilities at amortized cost	6,528	8,287
Financial liabilities at fair value through profit or loss		
Derivatives	615	527
Foreign exchange loss	14	-
Other	1,501	1,401
Total	8,658	10,215

29. Other non-operating profit

The analysis of other non-operating profit is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Gain or loss on change in equity, etc.	35	9,946
Gain on bargain purchase	584	252
Gain or loss on sales of stocks of subsidiaries and affiliates	(7)	7,159
Gain or loss on step acquisition	-	2,132
Total	612	19,490

30. Other comprehensive income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows:

IFRS 17 "Insurance Contracts" has been adopted from the fiscal year ended March 31, 2024, and the figures have been calculated retrospectively to apply the accounting standard for the fiscal year ended March 31, 2023.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of the net defined benefit liability (asset)		
Gain (loss) arising during the year	18,241	(59,356)
Tax effect	(5,715)	18,422
After tax effect	12,526	(40,934)
Net change in financial assets at fair value through other comprehensive income		
Gain (loss) arising during the year	(32,881)	88,068
Tax effect	8,044	(27,945)
After tax effect	(24,837)	60,123
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	(555)	(406)
After tax effect	(555)	(406)
Total	(12,865)	18,783
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedge		
Gain (loss) arising during the year	(1,869)	2,878
Transferred to profit for the year	366	401
Before tax effect	(1,503)	3,278
Tax effect	461	(1,012)
After tax effect	(1,042)	2,266
Exchange differences on translating foreign operations		
Gain (loss) arising during the year	19,935	46,459
Transferred to profit for the year	-	(4,423)
Before tax effect	19,935	42,036
After tax effect	19,935	42,036
Share of investments accounted for using the equity method		
Gain (loss) arising during the year	1,689	60
Transferred to profit for the year	(17)	(78)
After tax effect	1,672	(17)
Total	20,565	44,284
Total other comprehensive income	7,700	63,068

31. Cash flow

An analysis of net debt and the movements in net debt for the periods presented are as follows.

	Cash/ current bank account	Lease liabilities	Borrowings due within 1 year	Borrowings due after 1 year	Bonds	Millions of yen Hedge assets held for borrow. Due after 1 year
Net debt as of April 1, 2022	796,613	391,984	56,034	822,544	329,543	(2,197)
Cash flows	(323,448)	(128,288)	13,483	(19,400)	50,000	-
Acquisitions	-	132,917	-	-	-	(1,100)
Foreign exchange adjustments	7,087	58	-	-	-	-
Fair value movements	-	-	-	-	-	1,030
Other non-cash movements	-	2,572	-	52	(61)	361
Net debt as of March 31, 2023	480,252	399,242	69,517	803,196	379,482	(1,906)
Cash flows	397,588	(128,974)	123,626	676,980	(70,000)	-
Acquisitions	-	128,868	-	-	-	-
Change arising from the acquisition or loss of control of a subsidiary or other business	-	6,544	411	1,218	-	-
Foreign exchange adjustments	9,367	2,338	-	-	-	-
Fair value movements	-	-	-	-	-	397
Other non-cash movements	-	2,000	-	(217)	172	-
Net debt as of March 31, 2024	887,207	410,019	193,554	1,481,176	309,653	(1,509)

Note: Borrowings includes the liabilities generated from operating activities.

32. Financial Instruments

(1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include (i) Credit risk, (ii) Liquidity risk and (iii) Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

(i) Credit risk management

(a) Credit risks of financial assets owned by the Company

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade, lease, other receivables and loans for financial business of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk related to the deterioration of its financial condition. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

(b) Responses to the risk owned by the Company

With regard to credit risks to the customer, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company.

With regard to lease, other receivables and loans for financial business, the Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low, and the objective data such as external credit ratings reveals their ability to fulfil the obligation of contractual cash flow in the near future.

With regard to debt securities, the Group determines there has been a significant increase in its credit risk since initial recognition when the Group evaluates the risk of default is high based upon rating information provided by major rating agencies.

Expected credit loss is recognized and measured through transactions and financial information available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies and actual or expected significant changes in the operating results of the debtor into consideration. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default occurs when a debtor to a financial asset fails to make contractual payments within 90 days of when they fall due.

The Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially low credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to financial institutions with high credit rating.

Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to performing trade receivables, loss allowance is recognized by estimating the expected credit losses based on historical credit loss experience and forward-looking information for the tenor of each trade receivables.

Measurement of expected credit losses on lease, other receivables and loans for financial business related to Myanmar telecommunications business

When credit risk related to lease and other receivables has not increased significantly since the initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating

the 12-month expected credit losses collectively based upon both historical credit loss experience and forward-looking information.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

Measurement of the expected credit losses on other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

(c) Quantitative and qualitative information on the amounts arising from expected credit losses

Change in the allowance for credit losses during the period

	Millions of yen		
	Trade receivables	Lease Receivables and Other Receivables	Total
	Measured at the amount equal to the lifetime expected credit losses	Financial assets for which credit risk has significantly increased since initial recognition	
Balance as of April 1, 2022	31,055	-	31,055
Increase during the year	34,159	-	34,159
Decrease during the year (reversal)	(18,305)	-	(18,305)
Decrease during the year (intended use)	(11,355)	-	(11,355)
Other	(766)	-	(766)
Balance as of March 31, 2023	34,788	-	34,788
Increase during the year	28,771	107,413	136,184
Decrease during the year (reversal)	(16,757)	-	(16,757)
Decrease during the year (intended use)	(15,542)	-	(15,542)
Other	57	-	57
Balance as of March 31, 2024	31,317	107,413	138,730

Loss allowance and reversal of loss allowance are recorded in “selling, general and administrative expenses” in the consolidated statement of income.

There is no contractual, uncollected balance for financial assets written off during the fiscal years ended March 31, 2023 and 2024 respectively, for which collecting efforts are still being made.

Lease receivables and other receivables include a loss allowances related to the Myanmar telecommunications business. In the consolidated fiscal year under review, after estimating the forecast credit loss for the entire period related to the collection of lease receivables held by KDDI’s consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM), the Company recognized a loss allowance for a portion of the lease receivables.

KSGM provides support for the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar’s Ministry of Transport and Communication. KSGM leases telecommunications equipment categorized as finance leases to MPT. Through these lease transactions, KSGM holds U.S. dollar-denominated lease receivables with MPT. The Myanmar telecommunications business has continued to post operating losses. Foreign exchange control regulations were enacted by the Central Bank of Myanmar and the Foreign Exchange Supervisory Committee and went into effect in April 2022. Since that date, the conversion of money from the local Kyat currency to a foreign currency requires the completion of an approval process overseen by the Central Bank of Myanmar. As a result, KSGM is subject to restrictions on the collection of lease receivables denominated in U.S. dollars. Comprehensively considering these conditions, at the end of the fiscal year under review, the Company determined there is a significant increase in credit risk and recognized a loss allowance of ¥107,413 million for lease receivables related to these business activities.

The main estimates used in the calculation of cash flows that KSGM expects to receive are converted into U.S. dollars. Regarding the dollar conversion amount, the Company uses the approved results for U.S. dollar conversion in the Myanmar telecommunications business from the start of the restrictions on foreign currency management in April 2022 to estimate future dollar convertible amounts. After comparing the Kyat-denominated cash flows that MPT expects to pay in

each fiscal year with the dollar convertible amount expected in the fiscal year, the lower amount is used as the estimated future cash flow. In addition, when calculating allowances, to reflect the uncertainty, multiple scenarios are established with different dollar convertible amounts, which is the main factor within the model, are established. The present value (subtracting the initial effective interest rate for lease receivables from the estimated future cash flows in each scenario) is calculated using the weighted average based on the probability of each scenario.

Going forward, due in part to the worsening situation of the U.S. dollar conversion regulations, if there is a change in the main factors, it is possible that some or all of the ¥23,016 million in lease receivables will be recorded as additional loss allowances.

Excluding the loss allowance related to the Myanmar telecommunications business, there are no major loss allowances related to lease receivables or other receivables, financial business loans, or other investments (securities that are debt financial instruments).

(d) Maximum exposure to credit risks

The Group's maximum exposure to credit risks is as follows.

The Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2023

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	2,232,238	151,129	45,929	2,429,296
Expected loss rate	0.3%	1.4%	57.0%	-
Loss allowance	6,509	2,091	26,188	34,788

For the year ended March 31, 2024

	Millions of yen			
	Current	More than 30 days past due	More than 90 days past due	Total
Gross carrying amount	2,532,914	131,651	46,428	2,710,993
Expected loss rate	0.2%	1.6%	50.1%	-
Loss allowance	5,952	2,092	23,273	31,317

Maximum exposure of lease receivables and other receivables related to the Myanmar telecommunications business

For the year ended March 31, 2023

	Millions of yen			Total
	Expected credit losses over 12 months	Expected Credit Loss over the entire period		
		Financial assets for which credit risk has significantly increased since initial recognition	Financial Assets impaired by credit losses	
Lease receivables and other receivables	127,468	-	-	127,468
Expected credit losses	-	-	-	-

For the year ended March 31, 2024

	Millions of yen			Total
	Expected credit losses over 12 months	Expected Credit Loss over the entire period		
		Financial assets for which credit risk has significantly increased since initial recognition	Financial Assets impaired by credit losses	

Lease receivables and other receivables	-	130,429	-	130,429
Lease receivables and other receivables	-	107,413	-	107,413

Note: There is no collateral and other credit enhancement owned by the Group.

(ii) Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings, bond issuances and liquidation of receivables in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. The Group has short-term deposits etc. that is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 14. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unexpended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

The following tables analyse the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on the remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of March 31, 2023

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	801,927	801,927	800,909	411	129	6	4	469
Short-term borrowings	69,517	69,517	69,517	-	-	-	-	-
Long-term borrowings	803,196	817,520	200,713	154,882	154,173	140,650	146,977	20,124
Bonds payable	379,482	384,409	71,303	60,898	80,778	30,563	50,529	90,339
Deposits for financial business	2,717,552	2,717,771	2,705,020	10,092	1,179	868	610	1
Lease liabilities	399,242	398,314	116,806	84,851	58,309	40,951	26,839	70,558
Sub total	5,170,915	5,189,458	3,964,268	311,134	294,568	213,038	224,960	181,491
Derivative financial liabilities (Note)								
Currency-related transactions	2,476	2,476	2,410	(4)	63	-	8	-
Interest rate-related transactions	5,224	5,224	361	-	740	-	-	4,123
Sub total	7,700	7,700	2,771	(4)	803	-	8	4,123
Total	5,178,615	5,197,158	3,967,038	311,129	295,371	213,038	224,967	185,613

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

As of March 31, 2024

	Millions of yen							
	Carrying amount	Contractual cash flow	Within one year	Over one year to two years	Over two years to three years	Over three years to four years	Over four years to five years	Over five years
Non-derivative financial liabilities								
Trade and other payables	899,125	899,125	898,939	182	3	0	0	0
Short-term borrowings	193,554	293,981	293,981	-	-	-	-	-
Long-term borrowings	1,481,176	1,496,007	157,489	181,486	264,536	666,503	165,329	60,665
Bonds payable	309,653	313,106	60,898	80,778	30,563	50,529	50,268	40,071
Deposits for financial business	3,826,137	3,791,533	3,678,803	18,909	6,830	86,991	-	-
Lease liabilities	410,019	412,402	147,623	80,471	55,414	39,836	25,578	63,480
Sub total	7,119,665	7,206,154	5,237,732	361,826	357,347	843,859	241,174	164,216
Derivative financial liabilities (Note)								
Currency-related transactions	2,372	2,372	2,326	46	-	-	-	-
Interest rate-related transactions	5,798	5,798	-	-	-	363	74	5,361
Sub total	8,170	8,170	2,326	46	-	363	74	5,361
Total	7,127,835	7,214,324	5,240,057	361,872	357,347	844,223	241,248	169,577

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

(iii) Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk (“exchange risk”) that results from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to the U.S. dollar.

A certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign programs. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

i .Sensitivity analysis of exchange rate (except for au Jibun Bank)

Sensitivity analysis of the impact of the 10% appreciation of the Japanese yen against the U.S. dollar, Pound and Euro at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis assumes that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit before tax		
U.S. dollar	(3,143)	(2,229)
Pound	(2,050)	(3,956)
Euro	(1,163)	(2,095)
Total	<u>(6,356)</u>	<u>(8,279)</u>

If the Japanese yen depreciate 10% against the U.S. dollar, Pound and Euro and all other variables are held constant at the end of each fiscal year, the impact on the Group's profit or loss would be the exact reserve of the figures presented above assuming.

ii. Derivatives (currency-related transactions)

Details of major exchange contracts existed at March 31, 2023 and 2024 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Currency-related transactions	43,117	9,541	1,198	687	45,185	12,507	3,206	99

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Carrying amount	511	3,107
Contractual amount	43,117	45,185
Maturity date	May 2023 -December 2027	April 2024 -December 2027
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument (Note 2)	(2,609)	2,596

Note 1: Since the Group enters into the foreign exchange contracts in the same currency that future purchase transactions are highly likely to occur, the hedge ratio of foreign exchange contracts is one-to-one.

Note 2: The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in the fair value of the hedging instrument. The Group does not have a non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Currency-related transactions	147,511	-	2,340	2,410	106,504	-	2,316	2,304

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. The interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rates in order to avoid future increase in interest payments, primarily resulting from rising interest rates.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

i. Sensitivity analysis of interest rate (except for au Jibun Bank)

For each fiscal year, there is no material impact on income before income taxes in the consolidated statements of income, even if a 1% interest rate fluctuation occurs for the financial instruments with floating interest rates held. This analysis assumes that all other variables (balance, exchange rate etc.) are held constant.

ii. Derivatives (Interest rate-related transactions)

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuations arising from floating rate borrowings.

Derivatives designated as hedges

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	131,100	51,100	8	1,101	57,600	57,600	0	423

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Carrying amount	(1,093)	(423)
Contractual amount	131,100	57,600
Maturity date	December 2023 - March 2028	December 2025 - September 2053
Hedge ratio (Note 1)	1	1
Change in intrinsic value of outstanding hedging instrument	1,104	670

Note 1: Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.

Note 2: The change in the value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in the fair value of the hedging instrument. The Group does not have any non-effective portion of the hedge.

Derivatives not designated as hedges

	Millions of yen							
	As of March 31, 2023				As of March 31, 2024			
	Contractual amount		Fair value		Contractual amount		Fair value	
	Total	Over one year	Assets	Liabilities	Total	Over one year	Assets	Liabilities
Interest rate-related transactions	145,631	145,631	4,123	4,123	203,460	203,460	5,353	5,435

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings by monitoring market value and the financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

i. Sensitivity analysis of price of equity instruments (except for au Jibun Bank)

Sensitivity analysis of the impact of the 10% decrease in the price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Accumulated other comprehensive income (before tax effect)	(12,216)	(25,723)

(d) Market risk management at au Jibun Bank Co., Ltd.

Our consolidated subsidiary, au Jibun Bank, monitors and manages the amount of market risk on a daily basis using Value at Risk (VaR).

VaR is calculated using the historical simulation method (holding period of 21 business days, confidence level of 99%, observation period of 250 business days). Market risk amount is ¥4,090million in total, as of the end of the fiscal year ended March 31, 2023. Similarly, the total market risk amount is ¥3,524 million, as of the end of the fiscal year ended March 31, 2024. Note that VaR measures the amount of market risk at a certain probability of occurrence statistically calculated based on past market fluctuations, and may not be able to capture risks under circumstances where the market environment changes dramatically beyond what is normally possible.

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

	Unit	As of	As of
		March 31, 2023	March 31, 2024
Ratio of equity attributable to owners of the parent (Note)	%	43.0	37.1
D/E ratio (debt / equity ratio)	ratio	0.32	0.46

Note: Ratio of equity attributable to owners of the parent : Equity attributable to owners of the parent / Total assets ×100

D/E ratio (debt / equity ratio) : Interest bearing debt / Equity attributable to owners of the parent

As of March 31, 2024, the Group meets the material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

(3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of March 31, 2023

	Millions of yen			
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Financial assets:				
Non-current assets:				
Long-term loans for financial business	-	-	2,038,403	2,038,403
Securities for financial businesses	55,152	355,911	-	411,063
Other long-term financial assets	125,937	178,090	80	304,106
Current assets:				
Trade and other receivables	2,445,250	-	-	2,445,250
Short-term loans for financial business	247,054	-	57,503	304,557
Call loans	53,944	-	-	53,944
Other short-term financial assets	50,032	-	10,127	60,158
Cash and cash equivalents	480,252	-	-	480,252
Total	3,457,621	534,000	2,106,112	6,097,733

	Millions of yen			
	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Total
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	914,233	-	-	914,233
Long-term deposits for financial business	64,829	-	-	64,829
Lease liabilities	286,437	-	-	286,437
Other long-term financial liabilities	9,503	-	806	10,309
Current liabilities:				
Borrowings and bonds payable	337,961	-	-	337,961
Trade and other payables	801,927	-	-	801,927
Short-term deposits for financial business	2,652,723	-	-	2,652,723
Call money	244,111	-	-	244,111
Lease liabilities	112,805	-	-	112,805
Other short-term financial liabilities	-	-	6,894	6,894
Total	5,424,529	-	7,700	5,432,229

As of March 31, 2024

	Millions of yen			Total
	Carrying amount			
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	
Financial assets:				
Non-current assets:				
Long-term loans for financial business	-	-	3,200,059	3,200,059
Securities for financial business	119,838	293,929	-	413,767
Other long-term financial assets	74,092	316,613	748	391,453
Current assets:				
Trade and other receivables	2,702,152	-	-	2,702,152
Short-term loans for financial business	277,652	-	89,942	367,593
Call loans	28,237	-	-	28,237
Other short-term financial assets	20,566	-	10,096	30,662
Cash and cash equivalents	887,207	-	-	887,207
Total	4,109,743	610,542	3,300,845	8,021,130

	Millions of yen			Total
	Carrying amount			
	Financial liabilities at amortized cost	Financial liabilities at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	
Financial liabilities:				
Non-current liabilities:				
Borrowings and bonds payable	1,577,370	-	-	1,577,370
Long-term deposits for financial business	112,730	-	-	112,730
Lease liabilities	292,003	-	-	292,003
Other long-term financial liabilities	9,756	-	409	10,166
Current liabilities:				
Borrowings and bonds payable	407,013	-	-	407,013
Trade and other payables	899,125	-	-	899,125
Short-term deposits for financial business	3,713,407	-	-	3,713,407
Call money	37,972	-	-	37,972
Collateral for bond repurchase transactions	263,157	-	-	263,157
Lease liabilities	118,016	-	-	118,016
Other short-term financial liabilities	2	-	7,761	7,762
Total	7,430,552	-	8,170	7,438,722

Note: Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.

In accordance with the change in business model, effective April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. For details of the measurement method for each category, please refer to "3. Material Accounting Policies (11) Financial Instruments." The amount to be reclassified as of April 1, 2022 is ¥1,362,678 million.

(4) Financial assets at fair value through other comprehensive income

The Group owns the equity instruments listed above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

i. The analysis and fair value by description of financial assets at fair value through other comprehensive income

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

		Millions of yen	
		As of March 31, 2023	As of March 31, 2024
Fair value			
Listed equities		122,161	257,227
Unlisted equities		43,444	46,277
Other		12,485	13,109
	Total	178,090	316,613

		Millions of yen	
		For the year ended March 31, 2023	For the year ended March 31, 2024
Dividends received			
Listed equities		2,704	3,559
Unlisted equities		238	217
Other		4,968	829
	Total	7,910	4,604

Major description of investments in financial assets at fair value through other comprehensive income is as follows:

		Millions of yen	
		As of March 31, 2023	As of March 31, 2024
Listed equities			
	TOYOTA MOTOR CORPORATION	75,148	151,576
	Internet Initiative Japan Inc.	4,617	57,818
	LAWSON, Inc.	11,837	21,807
	PIA Corporation	5,035	5,066
	gremz, Inc.	4,067	3,805
	Japan Airport Terminal Co., Ltd.	4,019	3,611
	Finatext Holdings Ltd.	2,057	2,989
	East Japan Railway Company	2,191	2,616
	JTOWER Inc.	2,712	2,195
	Datasection Inc.	550	1,531
	Other	9,928	4,215
	Sub total	122,161	257,227
Unlisted equities			
	COMMUNITY NETWORK CENTER INCORPORATED	5,050	5,943
	Japan Platform of Industrial Transformation, Inc.	5,000	5,000
	WiL Fund II, L.P.	4,205	4,603
	WILLER Co., Ltd.	2,053	2,639
	Other	39,621	41,200
	Sub total	55,929	59,386
	Total	178,090	316,613

ii. Financial assets at fair value through other comprehensive income disposed during the period

The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains / losses arising from sale and dividends received are as follows:

		Millions of yen	
		For the year ended March 31, 2023	For the year ended March 31, 2024
	Fair value at the disposal date	1,897	4,678
	Accumulated gains / losses arising from sale	(514)	4,125
	Dividends received	0	89

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥(430) million and ¥2,847 million, respectively, for the years ended March 31, 2023 and 2024.

33. Fair value of financial instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1 : Quoted prices in active markets for identical assets or liabilities
- Level 2 : The fair value of the asset or liability measured using inputs that are observable either directly or indirectly other than quoted prices included within level 1
- Level 3 : The fair value of the asset or liability measured using inputs that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels based on the lowest level input that is significant to the fair value measurement.

(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

i. The hierarchy of the fair value

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of March 31, 2023

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through other comprehensive income				
Securities for financial business	335,026	20,884	-	355,911
Other financial assets				
Investment securities	122,161	-	55,929	178,090
Financial assets at fair value through profit or loss				
Loans for financial business	-	2,095,906	-	2,095,906
Other financial assets				
Derivatives				
Currency-related transactions	-	2,917	-	2,917
Interest rate-related transactions	-	4,123	-	4,123
Money trusts	-	385	-	385
Investment trusts	-	2,781	-	2,781
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency-related transactions	-	2,476	-	2,476
Interest rate-related transactions	-	5,224	-	5,224

As of March 31, 2024

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets:				
Financial assets at fair value through other comprehensive income				
Securities for financial business	270,795	23,134	-	293,929
Other financial assets				
Investment securities	257,227	-	59,386	316,613
Other	998	-	-	998
Financial assets at fair value through profit or loss				
Loans for financial business	-	3,290,001	-	3,290,001
Other financial assets				
Derivatives				
Currency-related transactions	-	5,491	-	5,491
Interest rate-related transactions	-	5,353	-	5,353
Investment trusts	-	5,577	-	5,577
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Other financial liabilities				
Derivatives				
Currency-related transactions	-	2,372	-	2,372
Interest rate-related transactions	-	5,798	-	5,798

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2023 and 2024.

Effective from the fourth quarter of the fiscal year ended March 31, 2022, au Jibun Bank Corporation has changed its management for housing loan receivables from a management aimed at collecting receivables to a management aimed at sustainable business development and securing a stable revenue base through the collection of receivables, resulting in a change in business model.

In accordance with the change in business model, effective from April 1, 2022, the measurement category of loans for financial business, which is categorized in financial assets at amortized cost, will be changed to financial assets at fair value through profit or loss. Regarding measurement methods applied to segment assets since the change in categories, “financial assets measured at fair value through net income or loss” are recognized at fair value at the time of recognition, and transaction expenses are measured at net income or loss when they are incurred. Income or loss related to “financial assets measured at fair value through net income or loss” are recognized at net income or loss. The carrying amount to be reclassified and its fair value as of April 1, 2022 are ¥1,362,678 million and ¥1,381,184 million.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Securities for financial business

Securities for financial business are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as level 1 of the fair value hierarchy. If such prices are unavailable, they are measured using the prices based on available information like brokered markets and the valuation technique based on the discounted future cash flows using discounted rates reflecting risk free rates and credit spreads, and are classified as level 2 of the fair value hierarchy according to observability of inputs.

(b) Other financial assets and liabilities

(i) Investment securities

Listed equities are based on the prices on exchange and within level 1 of the fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of the fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted investment securities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(ii) Derivatives

Currency-related transactions

Currency-related transactions are calculated using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to currency-related transactions are classified as level 2 of the fair value hierarchy.

Interest rate-related transactions

Interest rate-related transactions are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate-related transactions are classified as the level 2 of the fair value hierarchy.

(iii) Investment trusts

Investment trusts are measured using quoted prices in inactive markets for identical assets based on market approach, and are classified as level 2 of fair value hierarchy.

(c) Loans for financial business

Loans for financial business are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk, and are classified as level 2 of the fair value hierarchy.

iii. Reconciliation of level 3

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2023.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Investment securities
As of April 1, 2022	61,714
Acquisition	8,895
Gain recognized on other comprehensive income	(13,938)
Sale	(879)
Other	137
As of March 31, 2023	55,929

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2024.

	Millions of yen
	Financial assets measured at fair value through other comprehensive income
	Investment securities
As of April 1, 2023	55,929
Acquisition	3,996
Gain recognized on other comprehensive income	409
Sale	(351)
Other	(597)
As of March 31, 2024	59,386

iv. Evaluation process of level 3

Fair value measurements of unlisted investment securities are performed by finance and accounting departments independent from equity management departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the investment securities, as well as comparative listed companies.

v. Quantitative information related to assets classified as level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2023

	Fair value Millions of yen	Valuation technique	Unobservable inputs	Range
Unlisted equities	43,444	Income approach	Discount rate	2.9%-16.6%

As of March 31, 2024

	Fair value Millions of yen	Valuation technique	Unobservable inputs	Range
Unlisted equities	46,277	Income approach	Discount rate	5.0%-16.6%

vi. Sensitivity analysis related to the changes in significant unobservable inputs

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value.

i. The hierarchy of the fair value

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.

As of March 31, 2023

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Loans for financial business	17,426	-	17,410	-	17,410
Securities for financial business	55,152	56,131	-	-	56,131
Other financial assets					
Monetary claims bought	11,637	-	11,384	-	11,384
Financial liabilities					
Borrowing and bonds payable					
Borrowings	692,096	-	690,687	-	690,687
Bonds payables	379,482	379,031	-	-	379,031
Deposits for financial business	2,717,552	-	2,718,651	-	2,718,651

Note.1: Loans for financial business in the table above include their current portion.

Note.2: Borrowings and bonds payable in the table above include their current portion.

Note.3: Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

As of March 31, 2024

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Loans for financial business	26,396	-	26,375	-	26,375
Securities for financial business	119,838	103,702	5,108	9,993	118,803
Other financial assets					
Monetary claims bought	14,050	-	13,670	-	13,670
Financial liabilities					
Borrowing and bonds payable					
Borrowings	1,481,176	-	1,471,120	-	1,471,120
Bonds payables	309,653	308,027	-	-	308,027
Deposits for financial business	3,826,137	-	3,829,405	-	3,829,405

Note.1: Loans for financial business in the table above include their current portion.

Note.2: Borrowings and bonds payable in the table above include their current portion.

Note.3: Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

ii. Measurement method of the fair value

(a) Loans for financial business

The fair value of loans for financial business is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Loans for financial business are classified as level 2 of the fair value hierarchy.

(b) Securities for financial business

The fair value of securities for financial business is determined based on market prices for those with market prices available, and using prices obtained from third parties for those without market prices. Therefore, financial instruments with active market prices are classified as Level 1 of the fair value hierarchy, those without active market prices are classified as Level 2, and those without market prices are classified as Level 3 of the fair value hierarchy.

(c) Monetary claims bought

The fair value of monetary claims bought is measured using quoted prices in inactive markets for identical assets based on market approach and is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Monetary claims bought are classified as level 2 of the fair value hierarchy.

(d) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(e) Bonds payables

For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of the fair value hierarchy and bonds payables without quoted price are classified as level 2 of the fair value hierarchy.

(f) Deposits for financial business

For demanded deposits of the deposits for financial business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. The fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period. The discount rate is the interest rate used when accepting new deposits. In addition, the contract principal and interest of time deposits classified is measured at the amounts after classification. Deposits for financial business are classified as level 2 of the fair value hierarchy.

34. Commitments

Purchase commitments

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Property, plant and equipment	207,544	227,677
Intangible assets	14,959	12,358
Total	222,503	240,035

Note: These amounts above do not reflect the contents of all contracts that the Group is expected to enter into in the future.

35. Earnings per share

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	679,113	637,874
Weighted average number of common shares outstanding (Thousands of shares)	2,183,607	2,117,320
Basic earnings per share	311.01	301.26

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	679,113	637,874
Adjustment of profit	-	-
Profit used in calculation of diluted earnings per share	679,113	637,874

	Thousands of shares	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Weighted average number of common shares outstanding	2,183,607	2,117,320
Effect of dilutive potential common shares		
BIP trust and ESOP trust	909	582
Weighted average number of common shares during the year	2,184,516	2,117,902

	Yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Diluted earnings per share	310.88	301.18

Note 1: In the calculation of basic earnings per share and diluted earnings per share, shares in the Company owned by the executive compensation BIP trust and the stock-granting ESOP trust are included in treasury stock. Therefore, the number of these shares is deducted in calculating the number of common shares outstanding at the end of the year and the weighted average number of common shares outstanding during the year.

Note 2: As stated in "2. Basis of Preparation (5) Application of new standards and interpretations," we have applied IFRS 17 "Insurance Contracts" from the fiscal year ended March 31, 2024, reflecting the cumulative impact of the change in standards as of the beginning of the fiscal year ended March 31, 2023, which is the transition date. Consequently, the figures for the fiscal year ended March 31, 2023 have been restated to reflect these changes.

36. Lease

(1) Lease as a lessee

The Group mainly leases office space, buildings for base stations, dark fiber and in-house customer premises equipment for CATV and communication. Lease contracts for office space, buildings for base stations and dark fiber include extension and termination options. However, the Group does not have any lease contracts that contain restrictions or covenants.

i. Amounts recognized in the consolidated statements of financial position

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Right-of-use assets		
Real estate for base stations as the underlying asset	149,693	148,156
Transmission lines as the underlying asset	27,735	26,051
Real estate for office and telecommunication business as the underlying asset	114,357	97,272
Telecommunication equipment as the underlying asset	15,721	20,578
Other underlying assets	86,429	133,116
Total right-of-use assets	393,935	425,173

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Increase of right-of-use assets	132,917	150,246

ii. Amounts recognized in the consolidated statements of income

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Depreciation associated with right-of-use assets		
Real estate for base stations as the underlying asset	55,289	55,633
Transmission line as the underlying asset	5,381	5,174
Real estate for office and telecommunication business as the underlying asset	34,794	30,840
Telecommunication equipment as the underlying asset	6,458	6,462
Other underlying assets	22,136	29,805
Total depreciation associated with right-of-use assets	124,058	127,914
Interest expense associated with lease liabilities	2,206	3,313

iii. Cash flows associated with leases

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Total cash outflows associated with leases	130,494	132,286

(2) Lease as a lessor

i. Finance lease

Mainly, KDDI's consolidated subsidiary KDDI Summit Global Myanmar Co., Ltd. (KSGM) provides support for the telecommunications business operations of Myanma Posts & Telecommunications (MPT), an organization under Myanmar's Ministry of Transport and Communication. KSGM leases telecommunications equipment categorized as finance leases to MPT.

(a) Income from lease

Not applicable.

(b) Maturity analysis

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Within one year	43,894	28,801
Over one year to two years	30,545	18,337
Over two years to three years	19,198	10,065
Over three years to four years	11,022	5,728
Over four years to five years	4,525	2,942
Over five years	1,198	992
Total	110,383	66,866
Unearned finance income	(41,346)	(11,585)
Net investment in the lease	69,037	55,281
Loss allowance	-	(55,186)
Lease balance	69,037	94

37. Non-cash transactions

For the fiscal years ended March 31, 2023 and 2024, non-cash transactions (investment and finance transaction that don't require the use of cash and cash equivalents) comprise acquisition of right-of-use assets resulting from new leases of ¥132,917 million and ¥128,868 million, respectively.

38. Major subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Segment	Location	Key business	The proportion of voting rights (%)	
				As of March 31, 2023	As of March 31, 2024
Okinawa Cellular Telephone Company	Personal Services Business Services	Naha-shi, Okinawa	Telecommunications services (au mobile phone services)	53.9	51.9
JCOM., Ltd. (Note 1)	Personal Services Business Services	Chiyoda-ku, Tokyo	Management of CATV operators and broadcasting service providers	50.0	50.0
J:COM West Co., Ltd.	Personal Services	Chuo-ku, Osaka	Management of CATV (broadcasting and telecommunication business)	93.1 (93.1)	93.1 (93.1)
UQ Communications Inc. (Note 2)	Personal Services	Chiyoda-ku, Tokyo	Wireless broadband services	32.3	32.3
BIGLOBE Inc.	Personal Services	Shinagawa-ku, Tokyo	Telecommunications services under Telecommunications Business Act	100.0	100.0
AEON Holdings Corporation of Japan	Personal Services	Shinjuku-ku, Tokyo	A holding company for language-related companies, including English conversation schools	100.0	100.0
Chubu Telecommunications Co., Inc.	Personal Services Business Services	Naka-ku, Nagoya-shi, Aichi	Telecommunications services under Telecommunications Business Act	80.5	80.9
Wire and Wireless Co., Ltd.	Business Services	Chuo-ku, Tokyo	Wireless broadband services	95.2	95.2
au Financial Holdings Corporation	Personal Services	Chuo-ku, Tokyo	Holding company for financial business	100.0	100.0
Supership Holdings, Inc	Other Services	Minato-ku, Tokyo	Holding company of internet service companies	83.6	84.1
Jupiter Shop Channel Co., Ltd.	Personal Services	Koto-ku, Tokyo	Mail order services	55.0 (50.0)	55.0 (50.0)
au Energy Holdings Corporation	Personal Services Business Services	Chiyoda-ku, Tokyo	Business administration of subsidiary companies involved in energy	100.0	100.0

KDDI Matomete Office Corporation	Business Services	Shibuya-ku, Tokyo	IT support services for small and medium-sized companies	95.0	95.0
Altius Link, Inc. (Note 3)	Business Services	Shinjuku-ku, Tokyo	Call center, temporary personnel services	100.0	51.0
KDDI Digital Divergence Holdings Corporation	Business Services	Minato-ku, Tokyo	Functions for the planning, formulation, and advancement of the business strategies of group companies in DX business, and management business of group companies	100.0	100.0
KDDI Engineering Corporation	Other	Shibuya-ku, Tokyo	Construction, maintenance and operation support for communication equipment	100.0	100.0
KDDI Research, Inc.	Other	Fujimino-shi, Saitama	Technology research and product development related to telecommunication services	91.7	91.7
KDDI Cables & Subsea Engineering Inc.	Other	Kawasaki-ku, Kawasaki-shi, Kanagawa	Construction and maintenance of submarine cable	100.0	100.0
Japan Telecommunication Engineering Service Co., Ltd.	Other	Shinjuku-ku, Tokyo	Design, construction, operation support and maintenance for communication equipment	83.8	84.5
KDDI America, Inc.	Business Services	Staten Island, NY U.S.A.	Diversified telecommunications services in US	100.0	100.0
KDDI Europe Limited	Business Services	London, U.K.	Diversified Telecommunications services in Europe	100.0	100.0
				(4.2)	(4.2)
KDDI China Corporation	Business Services	Beijing, China	Sales, maintenance and operation of communication equipment in China	85.1	85.1
KDDI Asia Pacific Pte Ltd.	Business Services	Singapore	Diversified Telecommunications services in Singapore	100.0	100.0
TELEHOUSE International Corporation of America	Business Services	Staten Island, NY U.S.A.	Data center services in America	70.8	73.1
				(2.3)	(2.3)
TELEHOUSE Holdings Limited	Business Services	London, U.K.	Holding company	100.0	100.0
TELEHOUSE International Corporation of Europe Ltd	Business Services	London, U.K.	Data center services in Europe	92.8	93.4

				(92.8)	(93.4)
KDDI Canada, Inc.	Business Services	Toronto, ON, Canada	Data center services in Canada	-	100.0
KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD.	Personal Services	Singapore	Holding company	50.1	50.1
KDDI Summit Global Myanmar Co., Ltd.	Personal Services	Yangon, Myanmar	Support for telecommunications business operations of Myanma Posts & Telecommunications (MPT)	100.0	100.0
				(100.0)	(100.0)
MobiCom Corporation LLC	Personal Services	Ulaanbaatar, Mongolia	Diversified telecommunications services in Mongolia	98.8	98.8
				(98.8)	(98.8)

Numbers in parentheses represent indirect voting rights.

Note 1: The Group does not own a majority of the voting rights in JCOM., Ltd. ("JCOM"). However, the Group owns 50% of the voting rights of JCOM and has the power to govern its financial and operating policies. Accordingly, JCOM is controlled by the Group and included in the consolidated financial statements.

Note 2: The Group does not own a majority of the voting rights in UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the director dispatched from the Group has the right of representation, the directors dispatched from the Group have the executive power in the UQ's Board of Directors, and the operations of UQ are significantly dependent on the Company.

Note 3: KDDI Evolva, Inc. ("KDDI Evolva"), a wholly-owned subsidiary of KDDI, and Relia, Inc. ("Relia"), an equity method affiliate of Mitsui & Co., Ltd.) established Altius Link, Inc. ("Altius Link") on September 1, 2023, in connection with a business integration based on a spirit of equality. The details are in "4. Business combination."

(2) Financial statements of the Group's subsidiaries with material non-controlling interests
JCOM., Ltd., ("JCOM").

	As of March 31, 2023	As of March 31, 2024
The proportion of ownership interests held by non-controlling interests	50.0%	50.0%
The proportion of ownership interests held by non-controlling interests held equals the voting rights by non-controlling interests.		

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Consolidated statements of financial position

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Current assets	162,135	175,979
Non-current assets	1,142,944	1,142,759
Current liabilities	280,254	300,485
Non-current liabilities	539,176	493,030
Total equity	485,649	525,224

Amounts equivalent to the interests in total equity of JCOM attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Interests attributable to owners of the parent	231,210	257,366
Non-controlling interests	254,438	267,858
Total	485,649	525,224

(b) Consolidated statements of income and comprehensive income

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Revenue	873,965	928,975
Profit for the year before income tax	116,906	127,276
Income taxes	37,739	34,534
Profit, net of tax	79,167	92,742
Other comprehensive income	(1,363)	2,472
Total comprehensive income	77,804	95,214

Amounts equivalent to the profit for the year and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Profit for the year attributable to owners of the parent	40,705	46,845
Profit for the year attributable to non-controlling interests	38,462	45,897
Sub total	79,167	92,742
Other comprehensive income attributable to owners of the parent	(639)	1,212
Other comprehensive income attributable to non-controlling interests	(724)	1,260
Sub total	(1,363)	2,472
Total comprehensive income attributable to owners of the parent	40,066	48,057
Total comprehensive income attributable to non-controlling interests	37,738	47,157
Total	77,804	95,214

For the years ended March 31, 2023 and 2024, dividends paid by JCOM to non-controlling interests were ¥30,724 million and ¥47,660 million, respectively.

(c) Consolidated statement of cash flows

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities (net)	194,877	185,172
Cash flows from investing activities (net)	(89,808)	(63,668)
Cash flows from financing activities (net)	(122,475)	(137,902)
Increase (decrease) of cash and cash equivalents	(17,407)	(16,398)

39. Related party transactions

(1) Related party transactions

For the year ended March 31, 2023:

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2024:

The significant related party transactions and balances are mentioned below.

Transactions between the Group and the relevant party are as follows.

Parent Company and Main Shareholders (limited to companies and other entities)

(Millions of yen)

Type	Name of company or person	Location	Capital or investment	Business	Share of voting rights	Relationship with relevant party	Transaction	Transaction amount	Line item	Balance at year-end
Main shareholder	Toyota Motor Corporation	Toyota, Aichi	635,402	Manufacture and sale of automobiles	Directly holds 12.1%	Business and capital alliance	Share buybacks	250,000	-	-

Transaction conditions and policy for deciding transaction conditions

Note: Regarding share buybacks, based on the Board of Directors meeting held on July 28, 2023, via a tender offer, shares were acquired at the purchase price of ¥3,900 per share of KDDI common stock.

(2) Compensation of key management

Compensation of key management is as follows:

	Millions of yen	
	For the year ended March 31, 2023	For the year ended March 31, 2024
Short-term employee benefits	884	808
Share-based payment	180	153
Total	1,064	961

Compensation of key management represents compensation to directors and audit & supervisory board members of the Company, including outside directors and audit & supervisory board members.

40. Contingent events

Commitment line lending contract

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these consolidated subsidiaries (the loan limit).

Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

The balances of the unused lending commitment lines are as follows:

	Millions of yen	
	As of March 31, 2023	As of March 31, 2024
Total commitment line borrowings	751,327	865,360
Amounts lent	247,054	275,302
Unused balance of lending	504,272	590,058

41. Subsequent events

Converting Lawson, Inc. into an Equity-Method Affiliate and Borrowing Funds

On February 6, 2024, Mitsubishi Corporation (MC) and KDDI announced that the companies entered into a basic agreement to acquire shares of Lawson, Inc. through a public tender offer (the “Offer”) based on the Financial Instruments and Exchange Act. KDDI began conducting the Offer from March 28, 2024.

The Offer was completed on April 25, 2024, and KDDI submitted a public tender offer report on April 26, 2024. As a result of the Offer, our voting rights for Lawson became 41.1%. Therefore, Lawson became an equity-method affiliate as of May 7, 2024, the commencement date of the settlement of the Offer.

Going forward, through a series of procedures where MC and KDDI will be the only shareholders of Lawson, the two companies plan to each own 50.00% of voting rights for Lawson shares. As a result, Lawson is planned to become a joint venture company that applies the equity method under KDDI.

Moreover, we have obtained the following borrowings to secure the necessary funds for the Offer.

- (1) Fund purpose: Necessary funds for the offer, funds to pay for various associated business expenses, etc.
- (2) Lender: MUFG Bank, Ltd.
- (3) Loan amount: ¥405 billion
- (4) Loan interest: Standard interest + a spread
- (5) Loan execution date: May 2, 2024
- (6) Loan period: Within one year
- (7) Collateral situation: No collateral

Repurchase of Treasury Shares, Tender Offer of Treasury Shares and Market Purchases of Treasury Shares

At the board of directors’ meeting held on May 10, 2024, the Company resolved to conduct a repurchase of treasury shares, and, as a specific method of repurchasing the treasury shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the Company’s articles of incorporation, the Company resolved to conduct a tender offer of treasury shares (the “Tender Offer”).

(1) Objective of the Tender Offer

On February 20, 2024, Toyota Motor Corporation (“Toyota Motor”) informed the Company of its intention to sell a portion of the Company’s ordinary share that it currently holds. As a result of deliberations, and in light of the number of shares held by Toyota Motors and the ratio of the number of voting rights held by Toyota Motors after the share repurchase, the Company concluded that it would be appropriate to repurchase shares in order to further strengthen shareholder returns, and among them, to repurchase 49,800,000 shares from Toyota Motors.

In addition, regarding the number of share certificates planned for purchase in the Tender Offer, as a result of deliberations on providing an opportunity for tendering to shareholders other than Toyota Motors, the Company believes that the number of shares calculated by adding around 10% to the number of shares to be tendered by Toyota Motors in the Tender Offer is appropriate; therefore, 54,780,000 shares has been set as the maximum number.

Considering the above, at the board of directors’ meeting held on May 10, 2024, the Company resolved to repurchase treasury

shares and, as a specific method of repurchasing treasury shares, to conduct the Tender Offer and to conduct market purchases on Tokyo Stock Exchange within the total acquisition cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from the upper limit of the total acquisition cost (300 billion yen) for the share repurchase based on the BOD Resolution of May 10, 2024.

(2) Details of the resolution of the board of directors on the acquisition of treasury shares

- 1) Type of share certificates: the Company's ordinary shares
- 2) Number of share certificates planned for acquisition: 87,000,000 Shares (upper limit)
- 3) Total acquisition cost: 300 billion yen (upper limit)
- 4) Acquisition period: From May 13, 2024 to October 31, 2024

(3) Tender Offer outline

- 1) Type of share certificates: the Company's ordinary shares
- 2) Number of share certificates planned for purchase: 54,780,000 Shares (upper limit)
- 3) Tender Offer Price: 3,896 yen per 1 (one) ordinary share
- 4) Total Acquisition Cost: 213 billion yen (upper limit)
- 5) Period of the Tender Offer: From May 13, 2024 to June 10, 2024
- 6) Publication date for commencing the Tender Offer: May 13, 2024
- 7) Commencement Date of Settlement: July 2, 2024

(4) Market Purchases outline

- 1) Type of share certificates: the Company's ordinary shares
- 2) Total Acquisition Cost: the cost obtained by subtracting the total acquisition cost of the Company's ordinary shares acquired by the Tender Offer from 300 billion yen (upper limit)
- 3) Acquisition period: From July 3, 2024 to October 31, 2024

Elimination of Treasury Shares

At its meeting held on May 10, 2024, the Board of Directors resolved to eliminate treasury shares based on the rules outlined in Article 178 of the Companies Act and carried out this elimination. Details are as follows.

1. Type of shares eliminated: KDDI common stock
2. Number of shares eliminated: 110,865,892
(Percentage of total issued shares before the elimination: 4.81%)
3. Elimination date: May 20, 2024

Note: With this elimination, the number of treasury shares held by KDDI total 5.00% of all issued shares.

Number of total issued shares after the elimination: 2,191,846,416

Number of treasury shares after the elimination: 109,592,321

These figures include the 1,074,019 KDDI shares held by the board member compensation BIP trust.

42. Approval of the consolidated financial statements

The consolidated financial statements for the year ended March 31, 2024 were approved by Makoto Takahashi, president and CEO, and Nanae Saishoji, member of Board of Directors, Managing Executive Officer and Chief Financial Officer, on June 20, 2024.

(2) Other

Quarterly financial information and others for the fiscal year under review

(Cumulative period)	First quarter (Three months ended June 30, 2023)	Second quarter (Six months ended September 30, 2023)	Third quarter (Nine months ended December 31, 2023)	Full year (Fiscal year ended March 31, 2024)
Net sales (Millions of yen)	1,332,576	2,778,967	4,265,531	5,754,047
Profit (loss) before income taxes (Millions of yen)	276,838	583,213	869,317	992,725
Profit (loss) attributable to owners of parent (Millions of yen)	176,943	368,680	545,534	637,874
Basic earnings (loss) per share (Yen)	82.02	171.75	256.35	301.26

(Accounting period)	First quarter (From April 1, 2023 to June 30, 2023)	Second quarter (From July 1, 2023 to September 30, 2023)	Third quarter (From October 1, 2023 to December 31, 2023)	Fourth quarter (From January 1, 2024 to March 31, 2024)
Basic earnings (loss) per share (Yen)	82.02	89.77	84.57	44.29

Note: In the fourth quarter consolidated accounting period, we have finalized the provisional accounting treatment related to business combinations. The relevant quarterly information for the second and third quarters reflects the finalization of the provisional accounting treatment.

2 【Financial Statements】

(1) Non-Consolidated Financial Statements (Japan GAAP)

I. Non-Consolidated Balance Sheets

(Unit: Millions of yen)

Account item	As of March 31, 2023	As of March 31, 2024
(Assets)		
Noncurrent assets		
Noncurrent assets telecommunications business		
Property, plant, and equipment		
Machinery	2,917,998	2,812,009
Accumulated depreciation	(2,403,684)	(2,288,113)
Machinery (Net)	514,315	523,896
Antenna facilities	930,689	952,856
Accumulated depreciation	(643,027)	(665,891)
Antenna facilities (Net)	287,661	286,965
Terminal facilities	8,820	8,983
Accumulated depreciation	(7,421)	(7,672)
Terminal facilities (Net)	1,400	1,311
Local line facilities	225,988	231,290
Accumulated depreciation	(195,621)	(200,588)
Local line facilities (Net)	30,366	30,702
Long-distance line facilities	95,884	94,958
Accumulated depreciation	(91,818)	(91,175)
Long-distance line facilities (Net)	4,067	3,783
Engineering facilities	62,736	62,866
Accumulated depreciation	(52,673)	(53,051)
Engineering facilities (Net)	10,063	9,815
Submarine line facilities	47,192	46,892
Accumulated depreciation	(45,171)	(43,888)
Submarine line facilities (Net)	2,020	3,004
Buildings	426,534	416,753
Accumulated depreciation	(287,967)	(285,362)
Buildings (Net)	138,567	131,391
Structures	91,616	91,951
Accumulated depreciation	(73,547)	(75,354)
Structures (Net)	18,069	16,597
Machinery and equipment	4,711	4,023
Accumulated depreciation	(4,442)	(3,766)
Machinery and equipment (Net)	269	257
Vehicles	3,134	3,195
Accumulated depreciation	(2,314)	(2,691)
Vehicles (Net)	820	504
Tools, furniture, and fixtures	102,987	99,849
Accumulated depreciation	(86,311)	(85,429)
Tools, furniture, and fixtures (Net)	16,675	14,420
Land	260,677	260,602
Construction in progress	258,571	232,929
Property, plant, and equipment total	*1 1,543,542	*1 1,516,176

(Unit: Millions of yen)

Account item	As of March 31, 2023	As of March 31, 2024
Intangible assets		
Right of using submarine line facilities	897	352
Right of using facilities	12,676	14,028
Software	278,795	287,915
Leasehold right	1,429	1,429
Goodwill	13,270	12,511
Other intangible assets	94	83
Intangible assets total	*1 307,161	*1 316,319
Noncurrent assets telecommunications business total	1,850,702	1,832,494
Incidental business facilities		
Property, plant, and equipment		
Property, plant, and equipment	40,608	40,265
Accumulated depreciation	(28,000)	(29,150)
Property, plant, and equipment (Net)	12,607	11,115
Property, plant, and equipment total	*1 12,607	*1 11,115
Intangible assets		
Intangible assets total	*1 41,615	*1 45,826
Incidental business facilities total	54,223	56,941
Investments and other assets		
Investment securities	170,438	305,080
Stocks of subsidiaries and affiliates	*3 1,170,883	*3 1,271,862
Investments in capital	63	12
Investments in capital of subsidiaries and affiliates	5,742	5,742
Long-term loans receivable	3	3
Long-term loans receivable from subsidiaries and affiliates	*2 61,900	*2 112,627
Long-term prepaid expenses	343,980	379,396
Deferred tax assets	106,972	72,800
Other investment and other assets	42,447	39,273
Allowance for doubtful accounts	(15,130)	(12,815)
Investments and other assets total	1,887,297	2,173,980
Noncurrent assets total	3,792,222	4,063,416
Current assets		
Cash and deposits	72,602	82,333
Notes receivable - trade	11	3
Accounts receivable - trade	*2 1,619,822	*2 1,715,034
Accounts receivable-other	*2 222,814	*2 321,358
Supplies	74,749	65,260
Advance payments - trade	58	243
Prepaid expenses	53,821	44,241
Short-term loans receivable from subsidiaries and affiliates	*2, *5 113,941	*2, *5 107,733
Other current assets	62,860	82,852
Allowance for doubtful accounts	(14,416)	(15,867)
Current assets total	2,206,262	2,403,189
Total Assets	5,998,484	6,466,605

(Unit: Millions of yen)

Account item	As of March 31, 2023	As of March 31, 2024
(Liabilities)		
Noncurrent liabilities		
Bonds payable	310,000	250,000
Long-term loans payable	242,000	544,000
Lease obligations	31	0
Provision for retirement benefits	4,471	3,809
Provision for point service program	15,499	12,826
Provision for warranties for completed construction	5,145	5,477
Asset retirement obligations	38,528	30,728
Provision for officers' stock compensation	3,135	2,850
Other noncurrent liabilities	*2 19,037	*2 27,764
Noncurrent liabilities total	637,846	877,454
Current liabilities		
Current portion of noncurrent liabilities	121,500	108,000
Accounts payable - trade	*2 47,493	*2 52,368
Short-term loans payable	*2 450,716	*2 609,265
Lease obligations	4	10
Accounts payable-other	*2 499,945	*2 525,679
Accrued expenses	5,028	5,330
Income taxes payable	80,200	105,535
Contract liabilities	41,789	35,557
Advances received	13,700	17,089
Deposits received	31,964	37,561
Provision for bonuses	17,512	17,525
Provision for directors' bonuses	307	266
Asset retirement obligations	—	2
Provision for loss on contract	6,854	6,992
Provision for loss on disaster	365	2,099
Other current liabilities	5,577	4,238
Current liabilities total	1,322,954	1,527,516
Total liabilities	1,960,800	2,404,970
(Net assets)		
Shareholders' equity		
Capital stock	141,852	141,852
Capital surplus		
Legal capital surplus	305,676	305,676
Other capital surplus	-	0
Capital surplus total	305,676	305,676
Retained earnings		
Legal retained earnings	11,752	11,752
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	677	677
Reserve for special investments in capital	1,744	2,355
General reserve	3,488,434	3,645,434
Retained earnings brought forward	602,857	710,161
Retained earnings total	4,105,464	4,370,378
Treasury stock	(547,182)	(846,280)
Shareholders' equity total	4,005,810	3,971,627
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	31,874	90,008
Valuation and translation adjustments total	31,874	90,008
Total net assets	4,037,684	4,061,634
Total liabilities and net assets	5,998,484	6,466,605

II. Non-Consolidated Statements of Income

(Unit: Millions of yen)

Account item	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Operating income and loss from telecommunications		
Operating revenue		
Operating revenue total	*1 2,461,576	*1 2,413,845
Operating expenses		
Business expenses	493,277	456,392
Operating expenses	11	9
Facilities maintenance expenses	289,581	289,590
Common expenses	2,058	1,970
Administrative expenses	109,489	114,378
Experiment and research expenses	5,180	4,806
Depreciation	371,204	379,532
Noncurrent assets retirement cost	15,885	22,608
Communication facility fee	414,882	413,679
Taxes and dues	44,595	44,958
Operating expenses total	*2, *6 1,746,162	*2, *6 1,727,922
Net operating income from telecommunications	715,414	685,924
Operating income and loss from incidental business		
Operating revenue	*1 1,319,202	*1 1,269,284
Operating expenses	*2, *6 1,411,792	*2, *6 1,305,968
Net operating loss from incidental business	(92,590)	(36,683)
Operating profit	622,824	649,240
Non-operating income		
Interest income	1,609	4,114
Dividends income	*4 65,881	*4 95,004
Foreign exchange gains	4,187	11,183
Subsidy income	55,283	16,357
Miscellaneous income	16,754	11,697
Non-operating income total	*3 143,714	*3 138,355
Non-operating expenses		
Interest expenses	1,091	1,944
Interest on bonds	1,125	1,221
Miscellaneous expenses	3,303	3,453
Non-operating expenses total	*3 5,520	*3 6,618
Ordinary profit	761,018	780,977
Extraordinary income		
Gain on sale of noncurrent assets	—	785
Gain on sales of investment securities	801	4,155
Gain on valuation of investment securities	115	—
Gain on sale of stocks of related companies	—	12,349
Extraordinary income total	917	17,289
Extraordinary loss		
Impairment loss	*5 1,077	*5 5,279
Loss on sale of investment securities	—	139
Loss on valuation of investment securities	1,669	3,061
Loss on valuation of stocks of subsidiaries and affiliates	*7 282	*7 22,458
other	—	2,859
Extraordinary loss total	3,028	33,796
Profit before income taxes	758,906	764,470
Income taxes-current	193,280	193,323
Income taxes-deferred	18,173	8,540
Income taxes total	211,453	201,863
Profit	547,454	562,607

【Telecommunications business operating expenses statement】

(Unit: Millions of yen)

Accounts	Notes	The fiscal year ended March 31, 2023			The fiscal year ended March 31, 2024		
		Operating expenses	Administrative expenses	Total	Operating expenses	Administrative expenses	Total
Staff cost	(Notes) 2	76,266	39,506	115,772	73,042	41,334	114,376
Expenses		695,349	69,865	765,213	667,463	72,900	740,363
Materials and parts costs		474	2	477	506	2	509
Supplies expenses		19,879	1,735	21,614	11,695	1,078	12,773
Rental and lease expenses		100,513	18,419	118,932	97,016	21,047	118,064
Insurance expenses		1,466	401	1,866	1,403	550	1,953
Utility expenses		62,389	805	63,193	56,856	431	57,287
Repair expenses		10,698	64	10,761	11,202	204	11,407
Travel expenses		1,604	720	2,324	1,702	912	2,614
Communication transportation costs		6,791	210	7,001	6,389	293	6,682
Advertising expense	(Notes) 3	24,204	4,846	29,050	22,932	5,495	28,427
Entertainment expenses		407	867	1,274	175	938	1,114
Welfare expenses		2,980	2,376	5,356	2,675	2,775	5,450
Operations outsourcing expenses		248,953	35,888	284,840	259,644	35,915	295,559
Miscellaneous expenses	(Notes) 4	214,992	3,532	218,524	195,268	3,258	198,526
Outsourcing expenses		1,307	118	1,425	1,501	143	1,644
Submarine cable installation expenses		1,491	-	1,491	1,510	-	1,510
Satellite transmission expenses		5,809	-	5,809	7,238	-	7,238
Line usage fees		386	-	386	405	-	405
Bad debt loss	(Notes) 5	9,500	-	9,500	1,608	-	1,608
Sub total		790,108	109,489	899,596	752,767	114,378	867,144
Depreciation				371,204			379,532
Loss on retirement of non- current assets				15,885			22,608
Communication facility fee	(Notes) 6			414,882			413,679
Taxes and dues				44,595			44,958
Total				1,746,162			1,727,922

Notes: 1. Operating expenses include sales expenses, operational expenses, facility maintenance expenses, general expenses, and experiment and research expenses.

2. Personnel expenses include provisions for bonuses (previous fiscal year: ¥16,063 million yen, current fiscal year: ¥16,108 million yen) and retirement benefit costs (previous fiscal year: ¥(5,265) million yen, current fiscal year: ¥(7,062) million yen).

3. Advertising expenses include advertising costs through media such as newspapers, television, as well as sponsorship fees.

4. Miscellaneous expenses include sales commissions, etc.
5. Bad debt losses include provisions for doubtful accounts (previous fiscal year: ¥9,500 million yen, current fiscal year: ¥1,608 million yen).
6. Communication facility fee include NTT's interconnection charges (previous fiscal year: ¥20,753 million yen, current fiscal year: ¥17,294 million yen).

II. Non-Consolidated Statements of Changes in Net Equity
The fiscal year ended March 31, 2023

(Unit: Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus		Other retained earnings			
					Reserve for advanced depreciation of noncurrent assets	Reserve for special investments in capital	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	—	11,752	677	896	3,254,834	657,008
Changes of items during the fiscal year								
Dividends from surplus	-	-	-	-	-	-	-	(286,825)
Provision of reserve for special investments in capital	-	-	-	-	-	848	-	(848)
Provision of general reserve	-	-	-	-	-	-	233,600	(233,600)
Profit	-	-	-	-	-	-	-	547,454
Purchase of treasury stock	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	1,300	-	-	-	-	-
Retirement of treasury stock	-	-	(5,313)	-	-	-	-	-
Transfer from retained earnings to capital surplus	-	-	4,014	-	-	-	-	(4,014)
Increase due to business combination or decrease by corporate division - split-off type	-	-	-	-	-	-	-	(76,318)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	—
Total changes of items during the fiscal year	-	-	-	-	-	848	233,600	(54,151)
Balance at the end of current period	141,852	305,676	-	11,752	677	1,744	3,488,434	602,857

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(306,403)	4,066,292	47,348	4,113,639
Changes of items during the fiscal year				
Dividends from surplus	-	(286,825)	-	(286,825)
Provision of reserve for special investments in capital	-	-	-	-
Provision of general reserve	-	-	-	-
Profit	-	547,454	-	547,454
Purchase of treasury stock	(254,647)	(254,647)	-	(254,647)
Disposal of treasury stock	5,891	7,191	-	7,191
Retirement of treasury stock	5,313	-	-	-

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Increase due to business combination or decrease by corporate division - split-off type	-	(76,318)	(65)	(76,383)
Net changes of items other than shareholders' equity	2,663	2,663	(15,408)	(12,745)
Total changes of items during the fiscal year	(240,779)	(60,482)	(15,473)	(75,955)
Balance at the end of current period	(547,182)	4,005,810	31,874	4,037,684

The fiscal year ended March 31, 2024

(Unit: Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Capital surplus			
		Legal capital surplus	Legal capital surplus		Other retained earnings			
					Reserve for advanced depreciation of noncurrent assets	Reserve for special investments in capital	General reserve	Retained earnings brought forward
Balance at the beginning of current period	141,852	305,676	-	11,752	677	1,744	3,488,434	602,857
Changes of items during the fiscal year								
Dividends from surplus	-	-	-	-	-	-	-	(297,693)
Provision of reserve for special investments in capital	-	-	-	-	-	611	-	(611)
Provision of general reserve	-	-	-	-	-	-	157,000	(157,000)
Profit	-	-	-	-	-	-	-	562,607
Purchase of treasury stock	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	0	-	-	-	-	-
Retirement of treasury stock	-	-	-	-	-	-	-	-
Transfer from retained earnings to capital surplus	-	-	-	-	-	-	-	-
Increase due to business combination or decrease by corporate division - split-off type	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes of items during the fiscal year	-	-	0	-	-	611	157,000	107,303
Balance at the end of current period	141,852	305,676	0	11,752	677	2,355	3,645,434	710,161

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at the beginning of current period	(547,182)	4,005,810	31,874	4,037,684
Changes of items during the fiscal year				
Dividends from surplus	-	(297,693)	-	(297,693)
Provision of reserve for special investments in capital	-	-	-	-
Provision of general reserve	-	-	-	-
Profit	-	562,607	-	562,607
Purchase of treasury stock	(300,000)	(300,000)	-	(300,000)
Disposal of treasury stock	0	0	-	0
Retirement of treasury stock	-	-	-	-
Transfer from retained earnings to capital surplus	-	-	-	-

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	
Increase due to business combination or decrease by corporate division - split-off type	-	-	-	-
Net changes of items other than shareholders' equity	902	902	58,133	59,036
Total changes of items during the fiscal year	(299,098)	(34,183)	58,133	23,950
Balance at the end of current period	(846,280)	3,971,627	90,008	4,061,634

Notes to Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for securities
 - (1) Stocks of subsidiaries and affiliates
Valued at cost determined by the moving-average method
 - (2) Available-for-sale securities
Available-for-sale securities other than shares, etc. for which market quotations are not available are stated at fair value prevailing at the balance sheet date. Valuation differences are directly included in net assets. The cost of securities sold is determined by the moving-average method.
Shares, etc. for which market quotations are not available are mainly valued at cost determined by the moving-average method.
2. Valuation standards and methods for inventories
 - Supplies
Stated at cost determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).
3. Depreciation and amortization of non-current assets
 - (1) Property, plant, and equipment other than lease assets
Machinery: mainly declining-balance method
Property, plant, and equipment other than machinery: straight-line method

Useful lives of major assets are as follows:
Machinery: 9 years
Antenna facilities, buildings, local line facilities, structures, tools and furniture and fixtures: 10 to 42 years
 - (2) Intangible assets: straight-line method
Software for internal use is amortized under the straight-line method over the expected useful lives (5 to 10 years).
 - (3) Lease assets
Lease assets under financial lease transactions that do not transfer ownership rights of the assets to the lessees are depreciated and amortized under the straight-line method based on the lease term as the useful life and residual value of zero.
 - (4) Long-term prepaid expenses: straight-line method
4. Principle for calculation of allowances
 - (1) Allowance for doubtful accounts
To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and allowance for specific doubtful accounts is recorded based on the amount deemed to be uncollectible considering the individual collectability.
 - (2) Provision for retirement benefits
To prepare for the payments of retirement benefits to employees, the Company records the amount to be accrued as of March 31, 2024 based on projected benefit obligations and estimated value of plan assets as of March 31, 2024.
When calculating retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods through March 31, 2024.
Regarding unrecognized actuarial differences, the amount prorated on a straight-line basis over the average remaining service period of employees (within 11 years) at the time when the difference arises in each fiscal year is recorded as an expense from the year following that in which it arises.
 - (3) Provision for point service program
In order to prepare for the future cost generated from the utilization of points that customers have earned under some of the point services such as "au Ponta Point Program," the Company records based on its past experience the amount considered to be appropriate to cover future utilization of the points during or after the next fiscal year.
 - (4) Provision for warranties for completed construction
To prepare for the cost of a guarantee against defects pertaining to construction work for a submarine cable system for which delivery has been completed, a provision is recorded based on an estimate of a warranty fee of charge during the term of the guarantee.
 - (5) Provision for officers' stock compensation
To allow for payment of the Company's stock, etc., to Directors, Executive Officers, and Administrative Officers, the Company records the estimated amount of stock payment obligations at the end of the fiscal year under review.

(6) Provision for bonuses

To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid.

(7) Provision for directors' bonuses

To allow for the payment of bonuses to board members, the Company records the estimated amounts of bonuses to be paid.

(8) Provision for loss on contract

To prepare for possible loss that may occur in the future when the contract is fulfilled, the Company records the estimated amounts of loss.

(9) Provision for loss on disaster

The Company records the estimated amounts to be required for restoration of assets damaged by the 2024 Noto Peninsula Earthquake.

5. Standards for revenue and expense recognition

The Company's accounting policy for revenue recognition by major categories is as follows.

(1) Mobile telecommunications services

The Company generates revenue mainly from its mobile telecommunications services and sale of mobile handsets. The Company enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and also sells mobile handsets to its distributors. Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunications service fees"), and commission fees such as activation fees. The mobile telecommunications service fees and commission fees such as activation fees are recognized on a flat rate basis and on a measured rate basis when the services are provided to customers, whereupon the performance obligation is deemed to be fulfilled by the provision of the service based on the contract with the customer. Discounts of communication charges are deducted from the mobile telecommunications service fees monthly.

Furthermore, the consideration for transactions related to revenue from mobile telecommunications services are received between the billing date and approximately one month thereafter.

Revenue from the sale of mobile handsets comprises proceeds from the sale of mobile handsets and accessories to customers or distributors. The business flows of the above transactions consist of "Indirect sales," wherein the Company sells mobile handsets to distributors and enters communications service contracts with customers through those distributors, and "Direct sales," wherein the Company and certain subsidiaries of the Company sell mobile handsets to customers and enter into communications service contracts directly with the customers.

Revenue in each case is recognized as described below.

Revenue from the sale of mobile handsets is received within approximately one month following the sale to the distributor or other vendor.

1) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Company sells to the distributors, the Company considers distributors as the principals in each transaction.

Revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors, which is when control over the mobile handsets is transferred to the distributor and the performance obligation is fulfilled. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

2) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered as a bundle of services. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes.

The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's independent sales value. The amount allocated to mobile handset revenue is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.

In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon entering the contract. They are not recognized as a separate performance obligation but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist.

The consideration of these transactions is received in advance, when the contract is signed.

Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

(2) Fixed-line telecommunications services

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data t

transmission, FTTH services, and related installation fees.

The above revenue, excluding installation fee revenue is recorded when the service is provided, whereupon the provision of the service based on the contract with the customer fulfills the performance obligation and the performance obligation is deemed to be fulfilled when the service is provided.

Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

Payment for any performance obligation is received between the billing date and approximately one month later.

(3) Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue arising from fees related to assignment of claims, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc. Revenue from information fees is the revenue from membership fees for the content provided to customers on websites that the Company operates or that the Company jointly operates with other entities, and performance obligation is fulfilled proportionally to the elapsing of time over a certain consecutive period during which the content service is provided. Revenue arising from fees related to assignment of claims comprises the revenue from fees for the assignment of claims (customer account receivables) from the content provider (“CP”) for the purpose of collecting those account receivables from customers as the agent of the CP together with the telecommunication fees.

Electric power revenue is the revenue generated from electric power retail services, whereupon the performance obligation is fulfilled when the electric power service is provided. For these revenues, since the performance obligation, which is identified based on the contract with the customer, is fulfilled proportionally over time or when the service is provided to the customer, revenues are recognized over the period the service is provided based on the terms of each individual contract.

The Company may act as an agent in a transaction. To report revenue from such transactions, the Company determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less payments paid to a third party. The Company evaluates whether the Company has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, latitude in establishing prices. However, the presentation being on a gross basis, or a net basis does not impact operating profit or profit for the year.

The Company considers itself to be an agent for revenue arising from fees related to assignment of claims, advertisement services and certain content services described above because it earns only commission income based on pre-determined rates, does not have the authority to set prices and solely provides a platform for its customers to perform content-related services. The Company thus does not control the service before control is transferred to the customer. Therefore, revenue from these services is presented on a net basis.

The consideration for these transactions is received within approximately one to three months after the performance obligation has been fulfilled.

(4) Solution services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services (“the solution service income”). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.

Payment for any performance obligation is received between the billing date and approximately one month later.

(5) Global services

Global services mainly comprise solution services and mobile telephone services.

Revenue from mobile telephone services comprises revenue from mobile handsets and mobile telecommunication services.

Revenue from the sale of mobile handsets is recognized at the time of sale of the handsets, when the performance obligation is determined to have been fulfilled. Revenue from mobile telecommunication services is recognized at the time the services are provided to the customer, when the performance obligation is determined to have been fulfilled.

6. Other important matters for the basis of preparing non-consolidated financial statements

Accounting method for deferred assets

Bond issuance expenses

Bond issuance expenses: recorded as expenses when incurred.

(Notes to Accounting Estimates)

Valuation of stocks of subsidiaries and affiliates

(1) The amount recorded for the fiscal year under review

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Valuation of stocks of subsidiaries and affiliates	1,170,883	1,271,862

(2) Other information

For stocks of subsidiaries and affiliates which do not have a market price, the acquisition cost was compared against the actual price, and the actual price of the stocks has dropped more than approximately 50% due to a deterioration in the financial position of the issuing company of the stocks of subsidiaries and affiliates, the actual price is deemed to have significantly deteriorated, and unless there are suitable grounds supporting a possibility of recovery within approximately five years, a loss on valuation of stocks of subsidiaries and affiliates is recorded.

In cases where the Company considers there is earning power in excess of the actual price, the Company makes a best estimate within the range that can be rationally forecasted in the future business environment, and considers about reduction of excess earning power based on a business plan approved by management. Consequently, a judgment is made as to whether the actual price has significantly dropped based on a reduction of excess earning power. In such process, the Company discounts the future cash flows into present value, to evaluate whether there was reduction in earning power in excess, and sets, as key assumptions, business plans, growth rates, and pre-tax discount rates based on different types of revenue projection and projected changes in costs, such as cost of sales and selling, general and administrative expenses.

In the event of alteration to the aforementioned main assumptions due to changes in circumstances in the future, it may have a material impact on the financial statements for the subsequent fiscal years.

(Additional information)

Transactions involving the delivery of the Company's shares to employees through a trust

(1) Overview of transactions

Details about these transactions are in "1. Consolidated Financial Statements, Notes to Consolidated Financial Statements, 22. Stock-Based Compensation (Stock Benefit System)".

(2) Company shares remaining in trust

The accounting treatment for the executive compensation BIP trust adheres to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015). The Company's shares remaining in the trust are recorded in the net assets section as treasury stock at the book value (excluding incidental costs) of the trust.

The book value and number of shares of treasury stock as of the end of the previous fiscal year were ¥4,852 million and 1,319,384 shares, respectively. At the end of the fiscal year under review, these amounts were ¥3,949 million and 1,074,019 shares, respectively. The average number of shares was 1,150,070 shares during the previous fiscal year and 1,114,133 shares in fiscal year under review. These treasury shares are included in the calculation of per-share information as shares to be deducted.

Application for Group tax sharing system

The Company applied for approval to use the Group tax sharing system during the fiscal year under review and will start using the Group tax sharing system from the next fiscal year. Accordingly, accounting treatment and disclosures regarding tax effect accounting for corporate tax and local corporate tax assume the adoption of the Group tax sharing system and apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021) from the end of the fiscal year under review.

(Non-consolidated balance sheet)

*1 Amounts of reduction entry of non-current asset

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Amounts of accumulated reduction entry due to construction burden costs	14,722	14,644

*2 Receivables from and payables to subsidiaries and associates

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Long-term monetary claims	61,989	112,715
Short-term monetary claims	338,183	441,195
Long-term monetary liabilities	226	250
Short-term monetary liabilities	561,736	595,989

*3 Assets pledged as collateral

Assets pledged as collateral are as follows:

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Stocks of subsidiaries and affiliates	768	768

Note: Shares in equity-method affiliate Kagoshima Mega Solar Power Corporation was provided as collateral on the balance of bank borrowings of ¥8,235 million by that company as of March 31, 2024.

*4 Contingent liabilities

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Guarantee obligation [Guarantee for wholesale power purchase contract] au Energy Holdings Corporation, etc	12,058	8,715
[Guarantor for office lease contract] TELEHOUSE International Corporation of America, etc (Foreign currency-denominated guarantee obligation)	2,227 (US\$16Million) (HK\$6Million)	1,651 (US\$11Million) (HK\$-Million)
[Joint and several guarantees for bank guarantees] KDDI Philippines, etc (Foreign currency-denominated guarantee obligation)	- (PHP-Million) (HK\$-Million) (US\$-Million)	564 (PHP86Million) (HK\$6Million) (US\$1Million)

*5 Total committed lines of credit and loans receivables outstanding

The Company provides financial assistance to and deposits surplus funds among its subsidiaries and affiliates in order to carry out efficient financing and management of funds within the Group. The total committed lines

of credit and loans receivables outstanding in these activities are as follows.

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023	The fiscal year ended March 31, 2024
Total committed lines of credit	290,980	316,213
Loans receivables outstanding	111,432	94,014
Remaining portion of credit line	179,547	222,199

The above activities are implemented taking into consideration the financial positions and fund raising status of the subsidiaries and affiliates.

(Non-Consolidated Statement of Income)

(Unit: Millions of yen)

	The fiscal year ended March 31, 2023)	The fiscal year ended March 31, 2024
*1 Operating income from subsidiaries and affiliates	325,561	323,639
*2 Operating expenses to subsidiaries and affiliates	585,234	584,843
*3 Non-operating transactions with subsidiaries and affiliates	122,276	162,446
*4 Dividends received from related companies	63,087	91,287

***5 Impairment loss**

We mainly recognize impairment losses for the following assets and asset groups:

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

The Company calculates impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

Location	Usage	Type	Impairment Loss (Millions of yen)
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly telecommunications business	Machinery, etc.	1,077

For the current fiscal year, we have reduced the book value of assets with underutilized assets, including some communication equipment, to their recoverable amounts. The decrease of 1,077 million yen has been recorded as an impairment loss in special losses. This includes ¥931 million for machinery and equipment and 146 million yen for other assets.

Further, the recoverable amount of these assets is estimated based on the net selling price. The calculation of market value is based on reasonable estimate, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

For the fiscal year under review (from April 1, 2023 to March 31, 2024)

When calculating impairment losses, the Company groups assets into the smallest units that generate cash flow and are largely independent of the cash flows from other assets or asset groups.

Location	Usage	Type	Impairment Loss (Millions of yen)
Communication facilities, idle assets, etc. (Tokyo, etc.)	Mainly telecommunications business	Machinery, etc.	5,279

During the fiscal year under review, the book value of assets with decreased utilization rates, including some communication facilities, and idle assets was reduced to their recoverable amounts. The reduction amount was recorded as an impairment loss of ¥5,279 million under extraordinary losses. This impairment loss consists of ¥4,913 million for machinery and equipment and ¥366 million for other assets.

The recoverable amounts of these asset groups were measured at net selling price. The market value was estimated based on expected selling prices, with assets difficult to sell or repurpose valued at ¥0.

*6 Research and development expenses included in operating expenses

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
	22,807	25,270

*7 Loss on valuation of stocks of subsidiaries and affiliates

(Unit: Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
	282	22,458

For the fiscal year ended March 31, 2023

In the year ended March 31, 2024, the collectability of lease receivables held by KDDI Summit Global Myanmar Co., Ltd. (hereinafter “KSGM”), a consolidated subsidiary, was assessed and as a result of recognizing a loss allowance for some of the lease receivables, a loss on valuation of stocks of subsidiaries and affiliates of ¥20,814 million was recorded as an extraordinary loss with regard to shares of KDDI SUMMIT GLOBAL SINGAPORE PTE. LTD. (KSGS), which holds KSGM shares, due to the actual price of KSGS shares significantly decreasing. If the collection of lease receivables deteriorates in the future, all or part of the ¥13,403 million of KSGS shares may be additionally recorded as a loss on valuation of stocks of subsidiaries and affiliates in the non-consolidated financial statements for the next fiscal year.

In addition, a loss on valuation of stocks of subsidiaries and affiliates of ¥1,644 million was recorded as an extraordinary loss.

Notes of the detail for loss allowance information are omitted as they are identical to those made in the “Notes to (1) Consolidated Financial Statements, 32. Financial Instruments on for identified items.”

(Non-Consolidated Statement of Changes in Net Assets)

For the fiscal year ended March 31, 2023

Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2022	Increase during the fiscal year ended March 31, 2023	Decrease during the fiscal year ended March 31, 2023	As of March 31, 2023
Treasury stock				
Common stock	88,978,932	59,823,205	3,211,208	145,590,929
Total	88,978,932	59,823,205	3,211,208	145,590,929

- (Notes) 1. The increase of 59,823,205 shares of common stock under treasury stock is due to the acquisition of 59,823,200 shares of treasury stock based on the resolutions passed by Board of Directors meetings held on May 14, 2021, January 28, 2022, and May 13, 2022, as well as the purchase of 5 fractional shares.
2. The decrease of 3,211,208 shares of common stock under treasury stock is due to the retirement of 1,467,242 shares of treasury stock (retirement date: September 27, 2022) and the delivery of 1,743,966 shares through the executive compensation BIP trust and the Employee Stock Ownership Plan (ESOP) trust.
3. The number of common stock under treasury stock includes shares held by the executive compensation BIP trust and the Employee Stock Ownership Plan (ESOP) Trust. Note that the Company terminated the stock-granting ESOP trust system at the end of July 2022. As of the end of the fiscal year under review, the number of shares held in the executive compensation BIP trust was 1,319,384 shares.

For the fiscal year ended March 31, 2024

Shares outstanding and treasury stock

(Unit: Shares)

	As of April 1, 2023	Increase during the fiscal year ended March 31, 2024	Decrease during the fiscal year ended March 31, 2024	As of March 31, 2024
Treasury stock				
Common stock	145,590,929	75,112,630	245,399	220,458,160
Total	145,590,929	75,112,630	245,399	220,458,160

(The reason of the above changes)

1. The increase of 75,112,630 shares in the number of common stocks in treasury stock is due to a share buyback of 75,112,600 shares based on resolutions at the Board of Directors meeting dated May 11, 2023, and purchases of shares less than one unit of 30 shares.
2. The decrease of 245,399 shares in the number of common stocks in treasury stock is due to the issuance, etc. of 245,365 shares to the executive compensation BIP trust and sales of shares less than one unit of 34 shares.
3. Included in the number of common stocks in treasury stock displayed above are 1,074,019 shares held by the executive compensation BIP trust.

Securities

The fair values of the shares of subsidiaries and affiliates

For the previous fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Type	Balance sheet amount	Fair values	Variance
Shares of subsidiaries	352	85,361	85,009
Shares of affiliates	86,881	75,481	△11,400
Total	87,233	160,842	73,609

For the fiscal year under review (from April 1, 2023 to March 31, 2024)

(Millions of yen)

Type	Balance sheet amounts	Fair values	Variance
Shares of subsidiaries	313	89,004	88,691
Shares of affiliates	98,058	120,880	22,822
Total	98,371	209,884	111,513

(Note) Amount of balance sheet items for shares or other securities without market prices not included in the above table

(Millions of yen)

Type	As of April 1, 2023	As of March 31, 2024
Shares of subsidiaries	905,567	1,004,874
Shares of affiliates	178,083	168,617

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)	
	For the fiscal year ended March 31, 2023 (As of March 31, 2023)	For the fiscal year ended March 31, 2024 (As of March 31, 2024)
(Deferred tax assets)		
Provision for bonuses	6,011	6,029
Excess amount of allowance for doubtful accounts	7,442	7,108
Provision for point service program	7,088	4,854
Denial of accrued expenses	2,160	1,399
Excess amount of depreciation and amortization	36,553	32,380
Asset retirement obligations	11,790	7,502
Denial of loss on retirement of non-current assets	2,130	1,695
Denial of loss on valuation of inventories	1,241	1,319
Accrued enterprise taxes	4,622	5,562
Denial of impairment loss	10,441	10,871
Denial of advances received	985	935
Loss on valuation of stocks of subsidiaries and affiliates	22,436	29,113
Other	21,869	21,952
Total deferred tax assets	134,768	130,720
(Deferred tax liabilities:)		
Provision for retirement benefits	(11,740)	(15,856)
Valuation difference on available-for-sale securities	(14,054)	(39,686)
Gain on exchange from business combination	(1,455)	(1,455)
Other	(547)	(923)
Total deferred tax liabilities	(27,796)	(57,920)
Net deferred tax assets	106,972	72,800

2. The reconciliation of significant differences between the effective statutory tax rate and effective income tax rate after application of tax-effect accounting

	For the fiscal year ended March 31, 2023 (As of March 31, 2023)	For the fiscal year ended March 31, 2024 (As of March 31, 2024)
Effective statutory tax rate	30.6%	30.6%
Reconciliations:		
Non-taxable items (dividend income)	(2.5) %	(3.9) %
Other	(0.3) %	(0.3) %
Actual effective income tax rate after application of tax-effect accounting	27.8%	26.4%

In the fiscal year under review, we have applied for the approval of the Group Tax Sharing System, the Group Tax Sharing System will be applied starting from the next fiscal year.

Accordingly, the Company conducts accounting of corporate tax and local corporate tax, or accounting and disclosure of tax effect accounting for these items in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021).

Revenue Recognition

Information that serves as a basis for understanding revenue from contracts with customers is as stated in “Notes.

(Significant accounting policy)

Notes of other information are omitted as they are identical to those made in the “Notes to (1) Consolidated Financial Statements, 25. Revenue information on for identified items.”

(Per share information)

(Unit: yen)

	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Net assets per share	1,871.79	1,950.59
Basic earnings (loss) per share	250.71	265.72

Note: Basis for calculation for basic earnings (loss) per share and diluted earnings per share are as follows:

	For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)
Basic earnings (loss) per share		
Profit (loss) attributable to owners of the parent (Millions of yen)	547,454	562,607
Amounts not attributable to shareholders of common stock (Millions of yen)	-	-
Profit (loss) attributable to owners of parent pertaining to common stock (Millions of yen)	547,454	562,607
Average number of shares of common stock outstanding during the period (Thousands of shares)	2,183,606,955	2,117,320,273

Notes: When calculating per-share information, shares of the Company held in the executive compensation BIP trust (referred to below as “the Trust”) are treated as treasury stock. Consequently, these shares are deducted from the number of shares at the end of the fiscal year and the average number of shares during the period. In the fiscal year under review, the number of treasury stock held in the Trust as of the end of the fiscal year and the average number of shares during the period were 1,074,019 shares and 1,114,133 shares, respectively.

(Notes to Business Combinations, etc.)

Transaction under common control, etc.

(Company Split)

Transfer of Cable Television (hereinafter “CATV”) related businesses to JCOM Co., Ltd.

1. Overview of transaction

(1) Name and business description of the company involved in combination

Name of company involved in combination JCOM Co., Ltd.

Description of business

- Cable TV operation and telecommunications business through the management of CATV operators
- Programming business for CATV operators and digital satellite broadcasters

(2) Date of the divestiture

January 1, 2024

(3) Legal form of the divestiture

An absorption-type split with the Company as the splitting company and JCOM Co., Ltd. as the succeeding company.

(4) Name of the successor

JCOM Co., Ltd. (hereinafter “JCOM”)

(5) Items and amounts of divested assets and liabilities

Assets		Liabilities	
Item	Carrying amount (millions of yen)	Item	Carrying amount (millions of yen)
Current assets	7,774	Current liabilities	2,661
Noncurrent assets	454	Non-current liabilities	1
Total	8,228	Total	2,661

(6) Other matters related to the overview of the transaction

In 2005, the Company began partnering with CATV operators, and provided telephone service to CATV customers in addition to furnishing CATV set-top boxes, thereby offering services that suit the needs of customers who use CATV.

As a result of this divestiture, the services and assets of JCOM’s CATV business will be offered through the collaborative relationships the Company cultivated with nationwide CATV operators, and JCOM will offer the Company’s corporate solution services to local governments and other entities in partnership with other CATV operators moving forward. This arrangement will contribute to the further development of the CATV industry and the co-creation of local communities with the aim of improving customer service rooted in these communities.

2. Overview of accounting procedures performed

In accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), the transaction was treated as a transaction under common control.

(Significant Subsequent Events)

Acquisition of share certificates, etc. of Lawson, Inc. and borrowing of funds

Because the same information is provided in “(Significant Subsequent Events) in Notes to Consolidated Financial Statements,” notes have been omitted here.

4 Non-consolidated supplementary schedules

Our non-consolidated supplementary schedules are prepared in accordance with the provisions of Article 122, Paragraph 6.

【Detailed schedule of non-current assets】

(Millions of yen)

Type of assets	Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period	Accumulated depreciation or amortization at end of current period	Depreciation Or amortization for current period	Carrying amount at end of current period
Tangible Asset							
Noncurrent assets-telecommunications business							
Machinery (Notes)1,2,4	2,917,998	176,144	282,133<4,913>	2,812,009	2,288,113	157,344	523,896
Antenna facilities (Notes)4	930,689	40,219	18,052<138>	952,856	665,891	38,082	286,965
Terminal facilities	8,820	221	58	8,983	7,672	307	1,311
Local line facilities (Notes)4	225,988	6,476	1,174<97>	231,290	200,588	5,919	30,702
Long-distance line facilities	95,884	615	1,542	94,958	91,175	857	3,783
Engineering facilities	62,736	1,199	1,069	62,866	53,051	1,197	9,815
Right of using submarine line facilities	47,192	1,381	1,681	46,892	43,888	398	3,004
Buildings (Notes)4	426,534	5,944	15,725<5>	416,753	285,362	12,305	131,391
Structures (Notes)4	91,616	687	353<10>	91,951	75,354	2,117	16,597
Machinery and equipment	4,711	67	755	4,023	3,766	80	257
Vehicles	3,134	69	9	3,195	2,691	386	504
Tools, furniture and fixtures (Notes)4	102,987	2,882	6,020<0>	99,849	85,429	4,915	14,420
Land	260,677	-	76	260,602	-	-	260,602
Construction in progress (Notes)3,4	258,571	423,759	449,402<6>	232,929	-	-	232,929
Sub total	5,437,538	659,665	778,048<5,169>	5,319,155	3,802,980	223,905	1,516,176
Incidental business facilities	40,608	830	1,173	40,265	29,150	2,280	11,115
Total	5,478,146	660,495	779,221<5,169>	5,359,420	3,832,130	226,186	1,527,290

- Notes: 1. The main increase in machinery and equipment is attributed to the acquisition of wireless base stations and other related equipment due to the expansion of service areas.
2. The main decrease in machinery and equipment is due to modifications related to the deployment of 5G service areas and the introduction of virtualized infrastructure.
3. The main increase in construction temporary accounts is due to the acquisition of wireless base stations and related equipment resulting from the expansion of service areas.
4. The <> of the current period represents impairment losses deducted from the acquisition cost.

(Millions of yen)

Type of assets	Balance at beginning of current period	Increase in current period	Decrease in current period	Balance at end of current period	Accumulated depreciation or amortization at end of current period	Depreciation Or amortization for current period	Carrying amount at end of current period
Intangible assets telecommunications business Intangible assets							
Right of using submarine line facilities	6,012	-	3,591	2,422	2,070	176	352
Right of using facilities (Notes)8	21,676	2,452	17<0>	24,111	10,083	1,101	14,028
Software (Notes)5,6,8	583,406	111,545	84,402<0>	610,549	322,634	99,701	287,915
Goodwill	15,165	-	-	15,165	2,654	758	12,511
Leasehold right	1,429	-	-	1,429	-	-	1,429
Other intangible assets	255	15	64	206	123	25	83
Sub total	627,943	114,012	88,074<0>	653,882	337,563	101,762	316,319
Incidental business facilities (Notes) 8	77,706	20,095	8,382<109>	89,419	43,593	15,343	45,826
Total	705,650	134,107	96,456<109>	743,301	381,157	117,105	362,145
Long-term prepaid expenses (Notes) 7	614,614	157,477	76,658	695,433	316,037	60,164	379,396
Total	614,614	157,477	76,658	695,433	316,037	60,164	379,396

Notes: 5. The main increase in software is attributed to the acquisition of wireless base station equipment and related items.

6. The main decrease in software is due to the completion of amortization.

7. The main increase in long-term prepaid expenses is due to the establishment of base stations and related installations for wireless infrastructure.

8. The <> of the current period represents impairment losses deducted from the acquisition cost.

【Detailed list of securities】

【Shares】

Stock symbol	Number of shares (shares)	Balance sheet amount (in million yen)
(Investment securities)		
TOYOTA MOTOR CORPORATION	39,972,500	151,576
Internet Initiative Japan Inc.	20,387,000	57,818
LAWSON, Inc.	2,110,000	21,807
COMMUNITY NETWORK CENTER INCORPORATED. (CNCI)	3,872,260	5,509
Japan Platform of Industrial Transformation, Inc.	100,000	5,000
PIA Corporation	1,400,000	4,522
Japan Airport Terminal Co., Ltd.	609,000	3,611
East Japan Railway Company	896,100	2,616
GO Inc.	15,000	2,272
JTOWER Inc.	553,473	2,195
Others (182 Stock symbol)	78,579,545	36,499
Total	148,494,878	293,424

【Others】

Type and name of security	Number of investment units, etc.	Balance sheet amount (in million yen)
(Investment securities)		
WiL Fund II, L.P. etc 20 Stock symbol	-	11,656
Total	-	11,656

- Notes: 1. We represent the number of shares by rounding down to the nearest whole number for shares less than
2. All shares in this table are classified as other securities.

Detailed schedule of allowances and provisions

(Millions of yen)

Account	Balance at beginning of current period	Increase in current period	Decrease in current period (Intended use)	Decrease in current period (Others)	Balance at end of current period
Allowance for doubtful accounts (Note)	29,546	28,673	13,718	15,818	28,683
Retirement benefits reserve	4,471	85	748	-	3,809
Points reserve	15,499	15,849	18,522	-	12,826
Provision for warranties for completed construction	5,145	1,429	1,098	-	5,477
Directors' stock compensation reserve	3,135	617	902	-	2,850
Bonus reserve	17,512	17,525	17,512	-	17,525
Directors' bonus reserve	307	266	307	-	266
Contractual loss reserve	6,854	1,923	1,785	-	6,992
Disaster loss reserve	365	2,074	340	-	2,099

Note: The amount in the "Decrease in current period (Others)" column of the allowance for doubtful accounts represents a decrease due to reversals.

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Other

Not applicable

VI. Overview of Administrative Procedures for Shares

Fiscal year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June of each year
Record date	March 31
Record dates for dividends of surplus	September 30 and March 31
Number of shares per unit	100 shares
Purchases of shares less than one unit	
Address where handling office	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency Division
Administrator of shareholders register	(Special account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	-
Charges for purchases	Amount specifically determined as brokerage fees for the purchase and sale of shares
A method of public notice	Public notices are published electronically. In case the method of electronic public notice is not available due to any troubles or unavoidable circumstances, such a notice will be given by Nihon Keizai Shimbun published. Electronic public notices are published on the Company's website, and the address is as follows: URL: https://www.kddi.com/corporate/ir/e-public-notice/

Special benefits to shareholders	<p>The Company offers the following shareholder benefits to shareholders recorded on the final shareholder register as of March 31, 2024, who hold at least one unit (100 shares) or more.</p> <p>These shareholders can select one gift from a catalog featuring carefully selected gourmet products from across Japan. The gifts are based on the number of shares held and the duration of the ownership period.</p>		
			Ownership period
			Less than 5 years
No. of shares owned	100-999 shares	Equivalent of ¥3,000	Equivalent of ¥5,000
	More than 1,000 shares	Equivalent of ¥5,000	Equivalent of ¥10,000
<p>• The ownership period is calculated as the number of consecutive years the shareholder has been listed or recorded under the same shareholder number on the shareholder register as of March 31, 2024. This calculation encompasses all years, even before the introduction of this shareholder benefit system.</p>			

- Notes: 1. In accordance with the provisions in the Company's Articles of Incorporation, shareholders holding less than one unit (100 shares) do not have any rights other than those listed in Article 189, Paragraph 2 of the Companies Act, the right to make demands under Article 166, Paragraph 1 of the Companies Act, the right to be allocated offered shares in proportion to the number of shares owned, the right to be allocated new share subscription rights, and rights related to the purchase of shares less than one unit.
2. At the meeting held on January 16, 2024, the Board of Directors resolved to change the shareholder benefit system from fiscal year 2025. This change aims to encourage more shareholders to hold the Company's shares over the medium and long term and to deepen their understanding of the Group's business through the use of its related services. Details regarding the services and benefits will be announced at a later date.
3. The shareholder benefit system may be reviewed or changed, including the possibility of it being discontinued, due to various factors, such as trends in business performance or changes in company policy.

VII. Reference Information of Reporting Company

1 Information about parent company, etc. of reporting company

The Company has no parent company, etc.

2 Other reference information

The Company filed the following documents between the beginning of the fiscal year under review and the date when this Annual Securities Report was filed.

- (1) Annual Securities Report and Accompanying Documents and Confirmation Letter
39th Business Term (from April 1, 2022 to March 31, 2023) Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2023
- (2) Internal Control Report and Accompanying Documents
Submitted to the Director-General of the Kanto Local Finance Bureau on June 22, 2023
- (3) Quarterly Securities Reports and Confirmation Letter
First Quarter, 40th Business Term (from April 1, 2023 to June 30, 2023)
Filed with the Director of the Kanto Local Finance Bureau on August 2, 2023
Second Quarter, 40th Business Term (from July 1, 2023 to September 30, 2023)
Filed with the Director of the Kanto Local Finance Bureau on November 8, 2023
Third Quarter, 40th Business Term (from October 1, 2023 to December 31, 2023)
Filed with the Director of the Kanto Local Finance Bureau on February 7, 2024
- (4) Extraordinary Reports
Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2023
The Extraordinary Report according to the provision of Article 19, paragraph (2), item 3 (Transfer of specific subsidiary) of the Cabinet Office Order on Disclosure of Corporate Affairs.
Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023
The Extraordinary Report according to the provision of Article 19, paragraph (2), item (ix)-2 (results of exercise of voting rights at the general meetings of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.
Submitted to the Director-General of the Kanto Local Finance Bureau on December 1, 2023
The Extraordinary Report according to the provision of Article 19, paragraph (2), item (ix)-4 (Change in certified public accountants and auditors) of the Cabinet Office Order on Disclosure of Corporate Affairs.
- (5) Amended issuance registration document
Submitted to the Director-General of the Kanto Local Finance Bureau on June 23, 2023
Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2023
Submitted to the Director-General of the Kanto Local Finance Bureau on December 1, 2023
- (6) Stock Repurchase Status Reports
Reporting Period (from June 1, 2023 to June 30, 2023)
Filed with the Director of the Kanto Local Finance Bureau on July 6, 2023
Reporting Period (from July 1, 2023 to July 31, 2023)
Filed with the Director of the Kanto Local Finance Bureau on August 4, 2023
Reporting Period (from August 1, 2023 to August 31, 2023)
Filed with the Director of the Kanto Local Finance Bureau on September 6, 2023
Reporting Period (from September 1, 2023 to September 30, 2023)
Filed with the Director of the Kanto Local Finance Bureau on October 5, 2023
Reporting Period (from October 1, 2023 to October 31, 2023)
Filed with the Director of the Kanto Local Finance Bureau on November 7, 2023
Reporting Period (from November 1, 2023 to November 30, 2023)
Filed with the Director of the Kanto Local Finance Bureau on December 6, 2023
Reporting Period (from December 1, 2023 to December 31, 2023)
Filed with the Director of the Kanto Local Finance Bureau on January 10, 2024
Reporting Period (from January 1, 2024 to January 31, 2024)
Filed with the Director of the Kanto Local Finance Bureau on February 6, 2024
Reporting Period (from February 1, 2024 to February 29, 2024)
Filed with the Director of the Kanto Local Finance Bureau on March 6, 2024
Reporting Period (from March 1, 2024 to March 31, 2024)
Filed with the Director of the Kanto Local Finance Bureau on April 4, 2024

Reporting Period (from April 1, 2024 to April 30, 2024)

Filed with the Director of the Kanto Local Finance Bureau on May 8, 2024

Reporting Period (from May 1, 2024 to May 31, 2024)

Filed with the Director of the Kanto Local Finance Bureau on June 6, 2024

Part2 Information on Guarantors for the Company

Not applicable.

Independent Auditor's Report

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language*]

June 20, 2024

To the Board of Directors of KDDI CORPORATION

PricewaterhouseCoopers Japan LLC
Tokyo office

Tetsuro Iwase, CPA
Designated limited liability Partner
Engagement Partner

Ryoichi Iwasaki, CPA
Designated limited liability Partner
Engagement Partner

Takahiro Nomura, CPA
Designated limited liability Partner
Engagement Partner

Shinichi Shimabukuro, CPA
Designated limited liability Partner
Engagement Partner

<Audit of the Consolidated Financial Statements>

Opinion

We have audited, pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill (Notes to Consolidated Financial Statements, Note 3. Material accounting policies (6) Goodwill, 8. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets)	
Key audit matter description	How our audit addressed the key audit matter
<p>The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 568,134 million yen (4.02% of the total assets on a consolidated basis). The company discloses the amount of goodwill allocated to each cash-generating unit ("CGU") in Note 8. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements. The amount allocated to each CGU is as follows: JCOM Co., Ltd.CATV business 278,020 million yen, Jupiter Shop Channel Co., Ltd. 92,577 million yen, AEON HD 31,288 million yen, Altius Link, Inc. 23,557 million yen, ENERES Co., Ltd. 14,199 million yen, BIGLOBE Inc. 14,072 million yen, and Other 114,421 million yen.</p> <p>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at a discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate is used based on the long-term average growth rate of the market for each CGU. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to future cash flows reflects the time value of money and the risks inherent in the asset.</p> <p>The value in use calculation includes key assumptions about revenue, cost of sales and selling, general and administrative expenses in the business plans, growth rates and discount rates.</p> <p>Key assumptions used to measure the value of goodwill involve estimation uncertainty and the recoverability of goodwill is subject to management judgment. Depending on the assumptions used in the calculation of the estimates, impairment losses may not be recognized or could be inaccurate. In addition, the amount of goodwill recorded in the consolidated statements is quantitatively material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter.</p>	<p>We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:</p> <ul style="list-style-type: none"> - We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test - We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the discount rate, with the assistance of valuation experts for the major CGU - We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and discount rate for each CGU - We evaluated key assumptions used by management to estimate revenue, cost of sales, and selling, general and administrative expenses, growth rates, and discount rates for the major CGU <p>This included the following audit procedures.</p> <ul style="list-style-type: none"> i. Agreed the business plan used for impairment testing with the most recent business plan approved by management ii. Evaluated whether the achievement of revenue, cost of sales, and selling, general and administrative expenses in the business of the previous fiscal year is appropriately reflected in the respective assumptions of the current year plan iii. Compared the business plans with market forecasts and external economic information published by external agencies iv. Evaluated the business plan used by management for impairment testing, including consideration of consistency with historical experience with key assumptions regarding revenue, cost of sales and selling, general and administrative expenses v. Assessed the growth rate used by management by comparing it to external market forecasts vi. Evaluated and recalculated the discount rate used by management by assessing the consistency of the input information used in the calculation with external information

Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 25. Revenue)	
Key audit matter description	How our audit addressed the key audit matter
<p>Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 685,310 million yen (4.85% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 634,663 million yen. In addition, costs to fulfill contracts were 50,647 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.</p> <p>The capitalization of these costs requires management's judgment as to whether such costs should be recognized as contract costs as presented under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc.</p> <p>Key assumptions are made to determine the estimated contract period for the telecommunications contracts that is a key input underlying the amortization. These assumptions are related to factors such as the expected period until cancellation or model change based on past performance data and other relevant factors. In determining the recoverability, significant assumptions are made regarding the revenue, cost of sales and selling, general and administrative expenses in the business plans.</p> <p>Significant judgments and estimates related to contract costs were determined to be a key audit matter because of the quantitative materiality of the contract cost balance and because the key assumptions utilized in considering the recoverability of contract costs involve management's subjective judgments and the uncertainties in estimates.</p>	<p>We performed the following principal auditing procedures to assess the capitalized contract costs:</p> <ul style="list-style-type: none"> - We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs - We recalculated the incremental costs to acquire contracts and costs to fulfill contracts paid to agents, etc. for accuracy - We tested the appropriateness of costs classified as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contract and other information regarding agent commissions such as au shops, etc - In order to verify the reasonableness of the expected contract term, we verified the data in the report used to determine the expected contract term and compared the report with our recalculation under the same conditions - We examined the appropriateness of management's estimate of the contract term based on the historical contract renewal results - We evaluated the residual value of the consideration expected to be received by the enterprise under the telecommunications contract and the recoverability of contract costs not recognized as expenses directly related to the provision of such services. We assessed the reasonableness of key assumptions of revenue, cost of sales, and selling, general and administrative expenses in the business plan by comparing to the market forecast published by external agencies, and performed a sensitivity analysis.

Estimated loss allowance for lease and other receivables related to the Myanmar telecommunications business (Consolidated Financial Statements, Note 32. Financial Instruments, 36. Lease)	
Key audit matter description	How our audit addressed the key audit matter
<p>Other long-term financial assets, trade and other receivables, and other short-term financial assets recorded in KDDI Corporation's consolidated statements of financial position include 130,429 million yen of lease and other receivables that are held by KDDI Summit Global Myanmar Co, Ltd. ("KSGM"), which is a consolidated subsidiary of KDDI Corporation. The Company recognized a 107,413 million yen loss allowance on those assets deducted directly from the carrying amount of those assets.</p> <p>KSGM provides support for the telecommunications business operations of Myanmar Posts & Telecommunications ("MPT") and leases telecommunications equipment categorized as finance leases to MPT. Through these lease transactions, the Company holds U.S. dollar-denominated lease receivables due from MPT. At the end of the current fiscal year, the Company determined that there was a significant increase in credit risk and recognized a loss allowance by estimating the lifetime expected credit loss of the collection of the lease receivables. As there was no significant increase in credit risk at the end of the previous fiscal year, the Company recognized no loss allowance considering the 12-month expected credit loss on the collection of those lease receivables.</p> <p>The Company compares the Myanmar Kyat-denominated cash flows that are expected to be paid by MPT in each fiscal year with the U.S. dollar convertible amount expected in the fiscal year, and uses the lower amount as the estimated future cash flows. Foreign exchange control regulations were enacted by the Central Bank of Myanmar and the Foreign Exchange Supervisory Committee and went into effect in April 2022, which restricted the collection of those U.S. dollar-denominated lease receivables, and as such, the future U.S. dollar convertible amount was determined to be a key assumption. Accordingly, taking into account the actual approved results for U.S. dollar conversion in the Myanmar Telecommunications Business, the Company established multiple scenarios with different U.S. dollar convertible amounts, and then calculated a weighted average of discounted amounts of the estimated future cash flows over the estimated time to collect, based on the probability of each scenario, resulting in a loss allowance of 107,413 million yen recorded for lease receivables.</p> <p>The key assumption used in estimating the loss allowance involves the subjective judgments of management and there is uncertainty in the estimates. In addition, because the loss allowance for losses on these lease receivables is quantitatively material, this matter was determined as a key audit matter.</p>	<p>We primarily performed the following audit procedures in verifying the estimate of the loss allowance for lease and other receivables:</p> <ul style="list-style-type: none"> - We evaluated the design and operating effectiveness of the internal controls implemented by management to ensure the appropriateness of estimate for the loss allowance. - We evaluated the appropriateness of the estimated credit loss calculation model. - We evaluated the appropriateness of the key assumptions used by management to estimate future U.S. dollar convertible amounts. <p>This included the following audit procedures:</p> <ol style="list-style-type: none"> i. Assessed the reasonableness of estimates of future U.S. dollar convertible amounts in each scenario based on the economic and commercial information related to Myanmar published by external organizations and historical dollar convertible amounts. ii. Tested historical U.S. dollar convertibility amounts that were the basis of the future U.S. dollar convertible amount estimates in management's model. iii. Compared estimated U.S. dollar convertible amounts with actual U.S. dollar convertible amounts after the fiscal year end <ul style="list-style-type: none"> - We performed a sensitivity analysis over future U.S. dollar convertible amounts. - We validated the accuracy of calculation of loss allowance by recalculating the weighted average of the estimated future cash flows according to the probability of each scenario that was established by the Company.

Other Information

Other information comprises information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in designing and operating the reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or to remain alert for whether there are the indications that the other information appears to be materially misstated beyond such material inconsistencies.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in designing and operating the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of the Internal Control Report>

Opinion

We have audited, pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the accompanying internal control report of KDDI CORPORATION as at March 31, 2024.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the

design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

<Fee-Related Information>

The amounts of fees for the audit and the other services charged to KDDI CORPORATION and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are disclosed in "(3) Status of audits" within "Corporate Governance" included in "Information on the Company Submitting Financial Reports".

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*** Notes to the Readers of Independent Auditor's Report**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan. The Independent Auditor's Report on the consolidated financial statements and the internal control report are included in the Annual Securities Report (Yukashoken Hokokusho). The original was prepared in Japanese. All possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

Independent Auditor's Report

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language*]

June 20, 2024

To the Board of Directors of KDDI CORPORATION

PricewaterhouseCoopers Japan LLC
Tokyo office

Tetsuro Iwase, CPA
Designated limited liability Partner
Engagement Partner

Ryoichi Iwasaki, CPA
Designated limited liability Partner
Engagement Partner

Takahiro Nomura, CPA
Designated limited liability Partner
Engagement Partner

Shinichi Shimabukuro, CPA
Designated limited liability Partner
Engagement Partner

<Audit of the Financial Statements>

Opinion

We have audited, pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of KDDI CORPORATION (hereinafter referred to as the "Company") for the 40th fiscal year from April 1, 2023 to March 31, 2024.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and the supplementary schedules in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shares of subsidiaries and affiliates (Notes related to securities, critical accounting estimates, profit and loss statements)	
Key audit matter description	How our audit addressed the key audit matter
<p>As of the end of the fiscal year, the amount of shares in affiliated companies recorded in KDDI Corporation's balance sheet is 1,271,862 million yen (19.67% of the total assets).</p> <p>Out of those amounts, 1,004,874 million yen represents shares of subsidiaries with no market price and 168,617 million yen represents shares of affiliates.</p> <p>For those shares of subsidiaries and affiliates with no listed market price, if the net asset value of the investment declines by 50% or more due to the deterioration in the financial condition of the issuing company, the net asset value of the investment is deemed to have declined so significantly as an impairment loss is recognized unless the recoverability of the investment within 5 years is supported by sufficient evidence.</p> <p>Shares with no listed market price include shares acquired due to the investee's future potential, such as excess earnings. For such shares, in accordance with ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", ASBJ Report No. 14, "Practical Guidance on Accounting for Financial Instruments" and Q&A on Financial Instruments Accounting, when it is deemed that the net asset value has substantially decreased because of its excess earning power being reduced, impairment losses are required to be recognized.</p> <p>In the current fiscal year, the Company recognized a loss valuation allowance for a portion of the lease receivables held by KDDI Summit Global Myanmar Co, Ltd., a consolidated subsidiary. As a result, there was a significant decline in the net asset value of the shares of KDDI SUMMIT GLOBAL SINGAPORE PTE. who holds the shares of KDDI Summit Global Myanmar Co, Ltd., then the Company recorded a 20,814 million yen of the valuation loss on shares of subsidiaries and affiliates.</p> <p>In assessing reduction in excess earnings, the Company considers the achievement of historical business plans and projections for future performance, taking into account the discounted present value of future cash flows based on business plans approved by management. Projections of future cash flows based on business plans involve management's subjective judgments and uncertainties in terms of revenues, expenses, growth rates, and other factors.</p> <p>In addition, the recognition of a loss estimate allowance on a portion of the lease receivables held by KDDI Summit Global Myanmar Co, Ltd. has a significant impact on the underlying net asset value of the affiliate's share, and estimates of the loss valuation allowance involve management's subjective judgments and uncertainties in estimates.</p> <p>As such, we determined the valuation of the shares of</p>	<p>We performed the following procedures to consider the valuation of the shares of subsidiaries and affiliated companies:</p> <ul style="list-style-type: none"> - We evaluated the effectiveness of the design and operation of internal controls to ensure the appropriateness of the evaluation of shares of subsidiaries and affiliated companies. <p>We performed the following auditing procedures over the discounted present value of future cash flows to evaluate whether there was a decrease in excess earnings:</p> <ul style="list-style-type: none"> - We evaluated the appropriateness of the model used in calculating the discounted present value of future cash flows as well as the reasonableness of the discount rate for major stocks. - We evaluated management's key assumptions regarding revenue, cost of sales and selling, general and administrative expenses, growth rates and discount rates of the business plan on which the future cash flow estimates are based for major stocks. <p>This included the following audit procedures.</p> <ol style="list-style-type: none"> i. Agreed the business plan used for estimation of the future cash flows with the most recent business plan approved by management ii. Evaluated whether the achievement of revenue, cost of sales, and selling, general and administrative expenses in the business plan of the previous fiscal year is appropriately reflected in the respective assumptions of the current year plan iii. Compared the business plans with market forecasts and external economic information published by external agencies iv. Evaluated the business plan used by management for impairment testing, including consideration of consistency with historical experience with key assumptions regarding revenue, cost of sales and selling, general and administrative expenses v. Assessed the growth rate used by management by comparing it to external market forecasts vi. Evaluated and recalculated the discount rate used by management by assessing the consistency of the input information used in the calculation with external information <p>In relation to the valuation loss on the KDDI SUMMIT GLOBAL SINGAPORE PTE's share, in order to assess the reasonableness of the estimate for the loss valuation allowance for the lease receivables held by KDDI Summit Global Myanmar Co, Ltd. that contributed to the significant decline in the net asset value of KDDI SUMMIT GLOBAL SINGAPORE PTE., an audit response was performed as described in the "Estimated Loss Valuation Allowance for Lease Receivables and</p>

<p>subsidiaries and affiliated companies to be a key audit matter.</p>	<p>Other Receivables for Myanmar Telecommunications Business," which is a key audit matter for the consolidated financial statements.</p>
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Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in designing and operating the reporting process over the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or to remain alert for whether there are the indications that the other information appears to be materially misstated beyond such material inconsistencies.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' execution of their duties in designing and operating the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements and the supplementary schedules are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fee-related information is included in the Independent Auditor's Report for the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* Notes to the Readers of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan. The Independent Auditor's Report on the financial statements is included in the Annual Securities Report (Yukashoken Hokokusho). The original was prepared in Japanese. All possible care has been taken to ensure that the translation is an accurate representation of the original, however, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over the translated version.

[Cover page]

Document title:	Internal Control Report (“ <i>Naibutousei-Houkokusho</i> ”)
Clause of stipulation:	Article 24-4-4, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing:	Director-General of the Kanto Local Finance Bureau
Filing date:	June 20, 2024
Company name:	KDDI CORPORATION (<i>Keididai Kabushiki Kaisha</i>)
Company name in English:	KDDI CORPORATION
Title and name of representative:	President, Representative Director CEO Makoto Takahashi
Title and name of chief financial officer:	Managing Executive Officer, Director CFO Nanae Saishoji
Address of registered headquarters:	2-3-2, Nishishinjyuku, Shinjyuku-ku, Tokyo, Japan
Place for public inspection:	Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan

1. Matters relating to the basic framework for internal control over financial reporting

Makoto Takahashi, President, Representative Director CEO and Nanae Saishoji, Managing Executive Officer, Director CFO are responsible for designing and operating internal control over financial reporting of the Group, and designs and operates internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control seeks to achieve its goals within a reasonable range through the organic linking and integrated functioning of the basic elements of internal control. Accordingly, it is possible that internal control over financial reporting cannot fully prevent or detect misstatements in financial reports.

2. Matters relating to the scope of assessment, the record date of assessment, and assessment procedures

The assessment of internal control over financial reporting was performed with March 31, 2024, the final day of the current fiscal year, as the record date. The assessment was performed in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal control (entity-level controls) that may have a material impact on overall financial reporting on a consolidated basis, and based on the results of this assessment, we selected the business processes to be evaluated. To assess these business processes, we analyzed the selected business processes, identified key controls that may have a material impact on the reliability of financial reporting, and assessed the status of design and operation of these key controls. By so doing, we evaluated the effectiveness of internal control.

We determined the necessary scope of assessment of internal control over financial reporting for the Company and its consolidated subsidiaries and affiliates accounted for using the equity method from the perspective of the materiality that may affect the reliability of financial reporting. The materiality that may affect the reliability of financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts. In light of the results of assessment of entity-level controls, which covered the Company and 11 consolidated subsidiaries of the Company (total 12 companies), we reasonably determined the scope of assessment of internal control over business processes. The consolidated subsidiaries and affiliates accounted for using the equity method that are not included in those referred to above are not included in the scope of evaluating entity-level controls as their influence is deemed to be minimal from the perspective of quantitative and qualitative materiality.

As for the scope of assessment of internal control over business processes, we selected 2 significant locations and/or business units accounting for approximately two-thirds of the consolidated net sales for the previous fiscal year when aggregating the sales (after elimination of inter-company transactions) for the said fiscal year of each location or business unit. We included in the scope of assessment, at the selected significant business locations and/or business units, the business processes leading to sales, accounts receivable, inventories, and tangible assets as accounts that have a material impact on the business objectives of the Company. Further, in addition to the selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality even at other locations and business units, business processes relating to greater likelihood of material misstatements and/or significant accounts involving estimates and the management’s judgment and/or a business or operation dealing with high-risk transactions, taking into account their impact on financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that the Group’s internal control over financial reporting was effectively maintained.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.

[Cover page]

Document title:	Confirmation Letter (“ <i>Kakuninsho</i> ”)
Clause of stipulation:	Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing:	Director-General of the Kanto Local Finance Bureau
Filing date:	June 20, 2024
Company name:	KDDI CORPORATION (<i>Keididai Kabushiki Kaisha</i>)
Company name in English:	KDDI CORPORATION
Title and name of representative:	President, Representative Director CEO Makoto Takahashi
Title and name of chief financial officer:	Managing Executive Officer, Director CFO Nanae Saishoji
Address of registered headquarters:	2-3-2, Nishishinjyuku, Shinjyuku-ku, Tokyo, Japan
Place for public inspection:	Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan

1 Appropriateness of the descriptions in this Annual Securities Report

Makoto Takahashi, President, Representative Director CEO and Nanae Saishoji, Managing Executive Officer, Director CFO, have confirmed that this annual securities report for FY2023 (from April 1, 2023 to March 31, 2024) is reasonably and fairly stated in accordance with the Financial Instruments and Exchange Act and related regulations.

2 Special notes

There are no noteworthy matters that are pertinent to this annual securities report.